TRANSPARENCY AND DISCLOSURE REPORT FOR THE SECOND QUARTER OF 2022

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Registered at trade registry under no. J40/10296/1995
EUID: ROONRC J40/10296/1995
Registered at bank's registry under no. [illegible]
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Equity: 2.279.[illegible] RON

Contents

INTRODUCTION

This report has been prepared to respond to the transparency and publicity requirements of the National Bank of Romania Regulation no. 5/2013 on prudential requirements for credit institutions, as subsequently amended and supplemented, as well as Regulation no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions.
All the amounts presented are in thousand lei, if otherwise is specified.
This report is prepared on individual bases for June 30, 2022.

Following an overall evaluation of the frequency of information submitted for publication in the Transparency Report according to Pillar 3, this quarterly report mainly provides an update of the areas mentioned below, which are also in line with the recommendations of the European Banking Authority ("EBA"), in the framework of the "Final Report on the publication requirements under Part 8 of EU Regulation no. 575/2013 (ABE Guide, ABE / GL / 2016/11, version 2).

The areas that require quarterly publication of information are as follows:

- Information regarding own funds and the relevant indicators based on Regulation no. 1423/2013, which presents the implementing technical standards regarding the publication of the own funds requirements for the institutions;
- Information regarding the leverage indicator based on Regulation no. 200/2016, which presents the implementing technical standards regarding the publication of the leverage effect indicator for institutions;
- Information regarding the total risk-weighted assets and capital requirements in accordance with Article 438 points (c) - (f) of the CRR. According to ABE / GL / 2016/11 Guide, version 2, the EU OV1, EU CR8, EU CCR7 and EU MR2-B forms will be used to publish the necessary information;
- Information on risk exposures and credit quality with the corresponding quarterly or semi-annual frequency according to Guide ABE / GL / 2016/11, version 2, EU forms INS1, EU CR1 - A, EU CR1 - B, EU CR1 - C, Forms 1-10, EU CR2 - A, EU CR2 - B, EU CR3, EU CR4, EU CR5, EU CR6, EU CR 7, EU CR 10, EU CCR1, EU CRR2, EU CCR3, EU CCR4, EU CCR5 - A, EU CCR5 - B, EU CCR6, EU CCR8, EU MR1, EU MR2-A, EU MR3 and EU MR4;
- Information regarding the indicator Rate of coverage of the liquidity requirement considered as items prone to rapid changes in accordance with Guide ABE / GL / 2017/01.

1. Own funds

On June 30, 2022, OTP BANK ROMÂNIA S.A. calculated the own funds according to the egulation of the National Bank of Romania no 5/2013 on prudential requirements for credit institutions and Regulation (EU) 575/2013 on the own funds of credit institutions and investment firms with subsequent amendments and completions.

The Bank's own funds, according to the legal regulations in force regarding capital adequacy, include:

- Level I own funds, which include the subscribed and paid-up share capital, capital bonuses, eligible reserves, the deferred result and the deductions provided by the legislation in force;
- Level II own funds include subordinated loans and deductions provided by the legislation in force.

Common Equity Tier 1 (CET1): Instruments and Reserves	**Individual**
Capital instruments eligible as CET1 Capital	**2,322,004**
Of which: Capital instruments subscribed by public authorities in emergency situations	**2,322,004**
Retained earnings	-344,825
Other reserves	64,840
Funds for general banking risk	4,763
Common Equity Tier 1 (CET1) before regulatory adjustments	**2,046,782**
Common Equity Tier 1 (CET1): Regulatory Adjustments	-
Additional Value Adjustments (Negative Value)	-612
Intangible assets (excluding related tax liabilities) (negative)	-17,493
Deferred tax assets that are based on future profitability, excluding those resulting from temporary differences (without related tax liabilities when the conditions of Article 38 (3) are met) (negative)	0
Other transitional adjustments for core Tier 1 own funds	141,675
Basic own-fund items or deductions from them - others	-8,216
Basic level 1 core funds (CET1)	**2,162,136**
Additional level 1 own funds (AT1)	-

Level 1 own funds (T1 = CET1 + AT1)	**2,162,136**
Level 2 own funds (T2)	**-**
Total own funds (TC = T1 + T2)	**2,162,136**
Total risk weighted assets	**10,797,624**
Rate and amortization of own funds	
Additional Tier 1 own funds (as a percentage of the total exposure amount)	20.02%
Tier 1 own funds (as a percentage of the total exposure value)	20.02%
Total own funds (as a percentage of the total exposure amount)	20.02%
The requirement for own-account silencer (the own-funds requirement of Tier 1 under Article 92 (1) (a) plus the capital buffer and anti-cushioned shock absorbers plus the systemic shock absorber, plus the institution's shock absorber of systemic importance expressed as a percentage of the exposure value)	269,941
of which: the capital buffer	269,941
Basic Tier 1 own funds available to meet the damping requirements (as a percentage of the exposure value)	10.45%

As of June 30, 2022, the value of individual own funds was RON 2,162,136 thousand.

The bank included in the prudential perimeter OTP Leasing, in which it owns a shareholding of 59.99% for the social capital, as well as well as OTP Factoring, in which it holds a share of 100% and for which the prudential consolidation conditions provided by Regulation no 575/2013 art 19 were fulfilled. Prudential consolidation has been done through the global consolidation method.

For the consolidation for accounting purposes, the Bank applied the exception provided in the Financial Reporting Standard 10 Consolidated - Financial Statements para a (point IV), OTP Leasing and OTP Factoring being included in the consolidated financial statements of the parent company OTP BANK Nyrt.

OTP BANK ROMANIA S.A. does not have hybrid equity instruments, instruments whose provisions provide for a redemption incentive or instruments that are subject to the transitional regime.

On June 30, 2022, OTP BANK ROMANIA S.A. has calculated its own funds in accordance with Regulation 5/2013 of the National Bank of Romania on prudential requirements for credit institutions and Regulation (EU) 575/2013 on the own funds of credit institutions and investment firms with subsequent amendments and completions.

- **Internal capital adequacy assessment**

The process of capital adequacy to risks within OTP Bank Romania SA covers both risks for which the Romanian National Bank requires capital allocation and risk which are internally assessed in order to have an adequate internal capital in relation to the risk profile of the bank. The ratio between total capital requirement and regulated capital requirement on June 30, 2022 is 143% at consolidated level. The main categories of risks followed are: credit risk, operational risk, residual risk, concentration risk, risks which arise from the activity of granting loans in FX to the debtors which are exposed to foreign currency risk, position and foreign exchange risks, liquidity risk, reputational risk, stress test component (including external risks to the credit institution), interest rate risk, strategic risk and leverage risk, ESG risk.

2. Information on the minimum capital requirements

For calculating the capital adequacy to risks, the treatment of the credit risk is made in accordance with the standard approach provided by the EU Regulation 575/2013 of European Parliament and Board from June 26, 2013 regarding prudential requests for credit institution and investment firms and modification of EU Regulation no. 648/2012. For the calculation of the minimum capital requirements related to the position, operational and foreign currency risks, the Bank uses the standard approach.

For the purpose of calculating the additional capital requirement, OTP BANK ROMANIA S.A. evaluates quarterly the capital requirements for the non-regulated risks. In the internal process for assessing the capital adequacy to risks, OTP BANK ROMANIA S.A. uses both quantitative and qualitative approaches.

In the process of evaluating the capital adequacy to risks, OTP BANK ROMANIA S.A. shall prepare annually a plan regarding the capital, approved by the management body. This plan will include estimated capital requirements according to business objectives proposed by the Bank for that year. This plan will be updated whenever will be anticipated situations where, due to changes of the business environment and/ or strategic objectives of the Bank, the capital required for carrying out the Banking activity no longer meets the minimum requirements.

3. Leverage Risk

The risk associated with the excessive use of leverage means the risk arising from the Bank's vulnerability to leverage or contingent leverage that may require unplanned corrective measures of the business plan, including the emergency sale of assets which could result in losses or reevaluation of the assets left.

Through its activity, OTP Bank Romania SA assumes exposure to leverage risk at a level that does not endanger the bank's profitability and capital.

In order to achieve this maximum and warning limits were established, the leverage risk indicator is including in the planning process, a methodology was established to calculate potential extra capital need for leverage risk, the indicator is monitored at ALCO and Directorate level.

During first semester of 2021 the leverage risk level has stayed within the approved limit (both maxim and warning limit).

The risk associated with the excessive use of leverage is monitored at a consolidated level. Due to the size of OTP Leasing there is no significant effect on the consolidated leverage risk indicator.

Description of the factors that influenced the leverage indicator over the period covered by the Leverage Indicator

At 30.06.2022, the leverage transition indicator was 10.28% compared to 30.06.2021 when its value was 11.64%. The decrease in the indicator is the result of the increase in the value of own funds below the level of the increase in the total exposure.

Exposures to financial derivatives	**Applicable amounts**
Effective notional effective value of underwriting credit derivatives	9,614,079
Total exposures to financial derivatives	169,376
Other off-balance sheet exposures	**Applicable amounts**
Off-balance sheet exposures denominated in gross notional value	961,858
(Adjustments for conversion into equivalent credit amounts)	-
Financing operations for securities that are not subject to a clearing agreement between different products	-
Other off-balance exposures	-
Exposures for calculating the leverage indicator according to the CRR Regulation	**Applicable amounts**
Total balance sheet exposures (excluding financial derivatives, SFT and exempted exposures), of which:	20,764,489
Exposures related to the trading book	-
Exposures related to the banking portfolio, out of which:	-
Guaranteed bonds	-
Exposures considered as sovereign	4,803,061
Exposures to regional governments, multilateral development banks, international organizations and public sector entities that are not treated as sovereign entities	40,057
Institutions	651,122
Exposures secured by mortgages on immovable property	4,921,221
Retail exposures	3,271,325
Companies	4,839,227
Exposures in default	292,043
Other exposures (eg equity securities, securitizations and other assets that do not meet credit obligations)	1,073,533

Own funds and total exposure measurement indicator	Applicable amounts
Tier 1 capital - transitional definition	2,162,136
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	21,022,823
Leverage Ratio - using a transitional definition of Tier 1 capital	10.28%

4. Risk management

Within OTP BANK ROMANIA S.A. were established strategies and processes for managing the following risks:

- credit risk;
- risk position and currency risk;
- residual risk;
- interest rate risk outside the trading portfolio activity;
- concentration risk;
- liquidity risk;
- operational risk;
- reputational risk;
- outsourced activities related risk;
- compliance risk
- strategic risk;
- external risks;
  ESG risks.

The following graphics present the evolution of the main indicators in 2022:

Figure 1 : EBA - defined NPE ratio

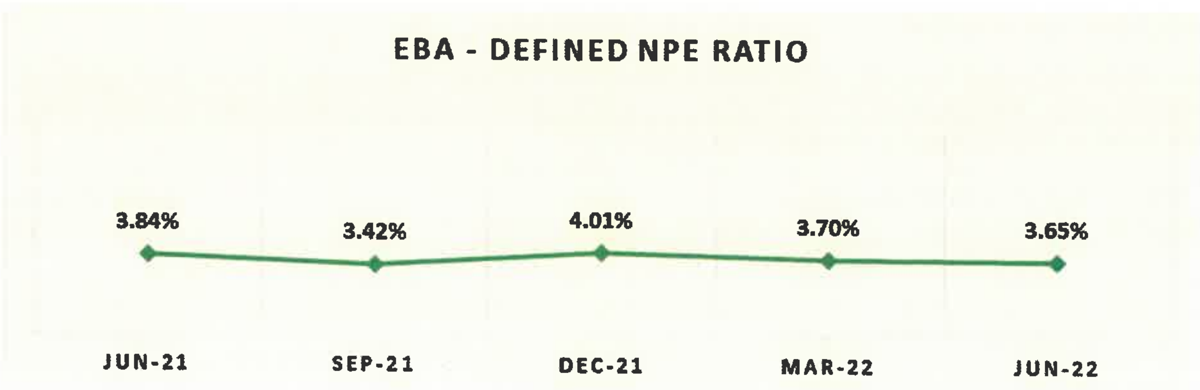


Figure 2: EBA - defined NPE coverage ratio

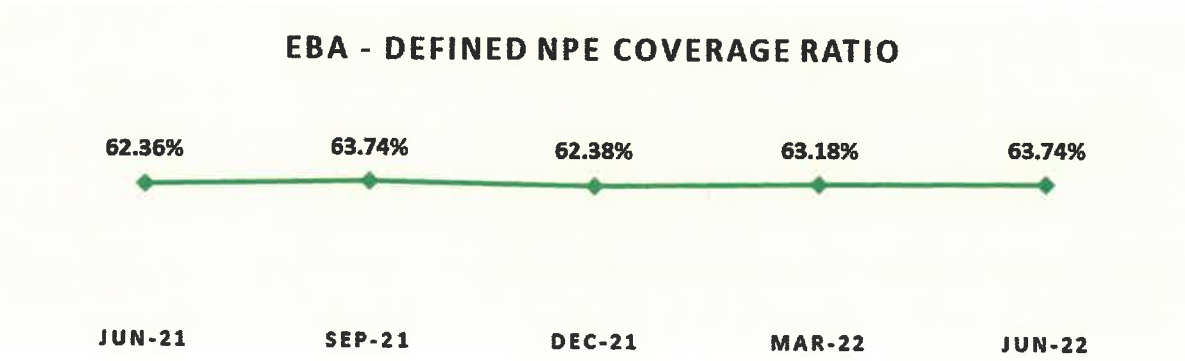


Figure 3 : Return on equity

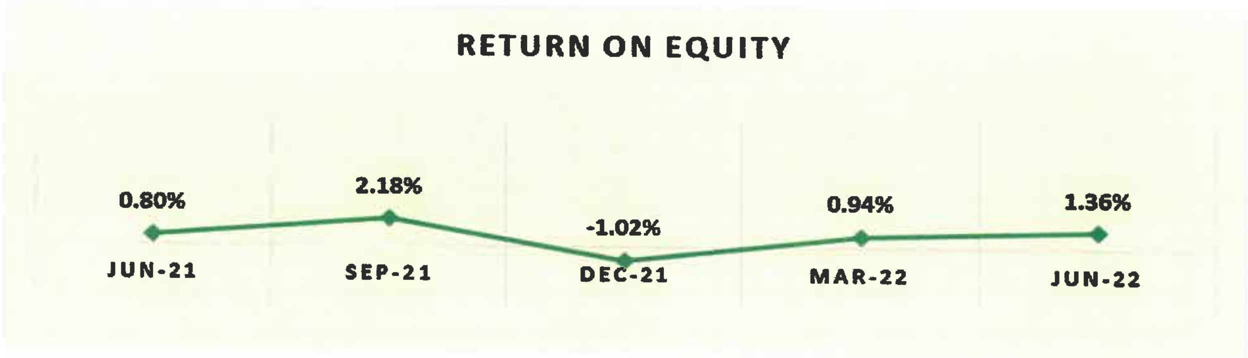
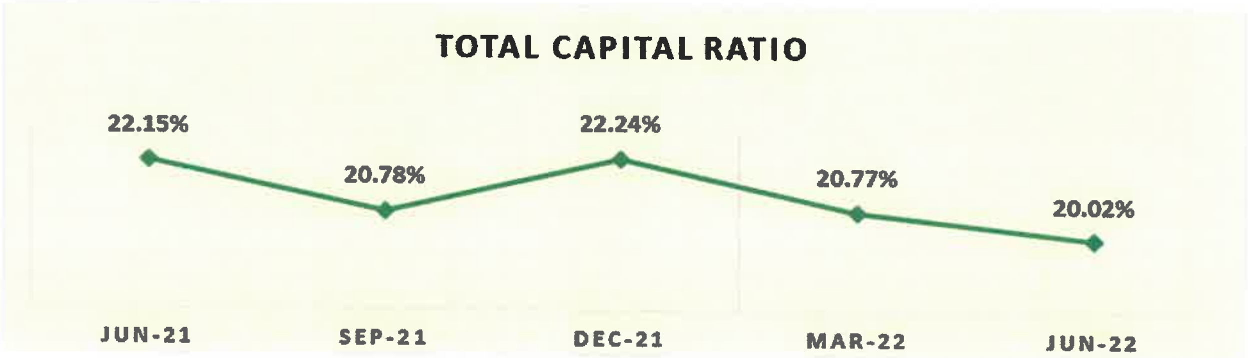


Figure 4: Total capital ratio



The above-mentioned indicators show a better provisioning of non-performing loans. In addition, the solvency is at a comfortable level for the Bank.

- ***Affiliates and related parties' transactions***

According to NBR Regulation no.5/2013 referring to capital requirements for credit institutions, OTP Bank Romania has established adequate procedures and politics to identify individual exposures and transactions related to affiliated parties, to determine the total amount of this exposures, as well as to monitor and report this type of exposures thru un independent process of verification or of loan activity.

The activity is conduct with respect to the legal provision of art. 399-403 from EU Regulation no. 575/2013, the affiliated parties exposure registered after considering the effect of credit risk reduction during year 2022 is respecting the legal requirement of 25% from its eligible capital or, if the group of affiliated parties to the institution includes one or more institutions, the exposure value to that group may not exceed either 25% of the eligible credit institution's eligible capital or the equivalent of EUR 150 million depending on which of these the amounts are higher provided that, in the event of the application of the absolute limit, the sum of the exposure values for all related parties which are not institutions, does not exceed, after taking into account the credit risk mitigation effect in accordance with Art. 399-403 of Regulation (EU) No. 575/2013, 25% of the eligible capital of the Bank.
If the equivalent of EUR 150 million is greater than 25% of the eligible credit institution's exposure capital, the exposure value shall not exceed, after taking into account the effect of the credit risk mitigation in accordance with Art. 399-403 of Regulation (EU) No. 575/2013, 100% of the eligible capital of the Bank.

Therefore, on 30.06.2022 the situation of affiliated parties was:

- Individual level (OTP Bank Romania SA)

No. of clients	Gross exposure RON	Provisions RON	Deduced amounts RON			Net exposure	
			without protection	with protection		Net exposure RON	% din FP
				financed	not financed		
Non-institutions							
40	92,796,734	4,795,841	17,249,731	1,970,647	0	68,780,515	3.18%
Institutions							
2	268,626,278	49,848	0	0	0	268,576,430	12.42%
42	**361,423,012**	**4,845,689**	**17,249,731**	**1,970,647**	**0**	**337,356,945**	**15.60%**

- On consolidated level (OTP Bank Romania S.A., OTP Leasing and OTP Factoring SRL):

No. of clients	Gross exposure RON	Provisions RON	Deduced amounts RON			Net exposure	
			without protection	with protection		Net exposure RON	% din FP
				financed	not financed		
Non-institutions							
42	62,996,800	277,880	6,712,859	342	0	56,005,719	2.53%
Institutions							
2	269,761,838	50,726	0	0	0	269,711,112	12.20%
44	**332,758,638**	**328,606**	**6,712,859**	**342**	**0**	**325,716,831**	**14.74%**

4.1 Credit Risk Management

A. Objectives and strategy

The Bank's objectives in respect of the credit risk management were related to:

- building a diversified portfolio whose performance does not depend excessively on the performance of an industry, geographical region or group of borrowers to ensure long-term stable profitability;
- Increasing the profitability of the credit products;
- Increasing the capacity to collect overdue receivables;
- maintaining the solvency indicator within normal limits sot that the capital requirement for credit risk does not excessively grow;
- Maintaining the portfolio quality through quarterly monitoring of a set of indicators calculated according to the methodology presented by National Bank of Romania:
  - non-performing exposures ratio – according to European Banking Authority definition is no more than 10%[1];
  - the coverage ratio with non-performing loans - The European Banking Authority's definition does not fall below 50%[2]
  - forborne non-performing exposures to total forborne exposures is no more than 75%;
  - annual growth rate of total loans is no more than 15%[3];

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[1] Non-performing loans and advances/ Total gross loans and advances excluding cash balances at central banks and other term deposits and loans to credit institutions – [(FINREP, F18, Rows 090, 110, 120, 150, 193, 195, 196, 197, 223, 225, 226, 227; Column 060)+OTP Factoring exposure reported for consolidation purpose] / [(FINREP, F18, Rows 090, 110, 120, 150, 193, 195, 196, 197, 223, 225, 226, 227; Column 10)) + OTP Factoring exposure reported for consolidation purpose]

[2] Provisions related to non-performing exposures/Total non-performing exposures – FINREP, F18, [Raw 070, 191, 221; Column 150] / [Raw 070, 191, 221; Column 060];

[3] Total loans and advances (A)t / Total loans and advances (A)t-12] -1] * 100- FINREP, F 01.01, [Raw 090, 095, 099, 130, 144, 174, 178, 183, 233, 237; Column 10];

- forbearance ratio for loans and advances is no more than 7%[4];
- total write off losses in total exposure written off is no more than 20%.

The Bank's strategy for 2022 related to the credit risk management include the following principles:

I. The basic requirements regarding lending principles include:
   - the primary repayment sources of lending should be the cash flows generated from the enterprise's activity or, in the case of private individuals, long-term, regular income;
   - when developing the conditions of new products and upon the review of existing schemes, risk parameters should comply with OTP Group standards, reflecting country-specific differences.

II. The Bank's desirable clientele are customers:
   - whose creditworthiness is appropriate and whose risk is deemed to be low or medium based on their debtor rating;
   - whose activity and business management are transparent, and they cooperate with the Bank; in respect of their financial standing and reliability, solid data – preferably from independent sources – are available for the longest possible period;
   - whose income is regular, stable, verifiable and whose willingness to pay is also adequate;
   - whose payment ability and willingness to pay have been confirmed by positive experience or information / reference or, at least, any negative experience / information can be ruled out;
   - who operate in an sector where future prospects are expected to improve or at least to stabilize.

III. The Bank assumes credit risks where:
   - the loan purpose is known in sufficient details and, based on this, repayment is scheduled according to the purpose of the loan as well as the currency and the expected availability of the repayment sources (cash flows and non collateral-based lending);
   - no compliance sensitivity arises with respect to the financing of the loan purpose /customer (e.g. customers engaged in illegal trade in arms, manufacture of arms, gambling or other activities undesirable from the perspective of corporate social responsibility);
   - the debtor has sufficient experience in and commitment to (own funds) the financed transaction;
   - the risks are known and assessed also by the debtor to the sufficient degree, and those are proportionate with the debtor's debt service capacity (no excessive commitment);
   - the tenor of the transaction falls in a period in respect of which the debtor's financial standing and the trends in its business environment can be assessed with satisfactory degree of certainty;
   - the Bank earns profit, preferably at the level of the individual transactions, but at least at the level of the customer relationship as a whole;
   - the environmental requirements are satisfied.

IV. The Bank's objective is to ensure that upon elaborating the products and processes, is to ensure that:
   - the lending conditions are defined both at the level of the standard credit products and the individual transactions in a way where they provide the Bank with sufficient room for manoeuvre and substantive possibility to intervene in the event of stress situations (e.g. excessively long maturities should be avoided);
   - the contractual conditions flexibly support potential crisis management;
   - a modern, database-driven, centralized assessment process is available in all customer segments that can be served in large volume and where risks are reckoned with relying on a database rather on the personal knowledge of the customer, and the personal deliberation can be replaced by model-based risk filtering;
   - the definition of the maximum loan amount ensures the granularity of the portfolio in segments served in large numbers;
   - product conditions become attractive for customers desirable for the Bank, who performed well in the past and have a stable background. The goal is to prevent the attrition of customers and to facilitate the gradual removal of non-desirable customers from the portfolio;
   - the acquisition of new customers, the expansion of the customer base is supported;
   - the conditions available for the individual borrowers in the portfolio are established in a differentiated manner based on the risks, with special view to the maximum loan amount, the minimum collateral coverage and the price;
   - adequate IT support, and thereby measurability, is ensured.

[4] Forbearance ratio for loans and advances - FINREP, F19, [Raw 070, 191, 221,Column 010] / FINREP, F18, [Raw 070, 191, 221; Column 010].

V. If upon risk assumption the requirements towards the desirable clientele are not satisfied, risks may be assumed subject to conditions under which the higher risk can be mitigated to a high probability (at least partially). These sub-portfolios of higher (but still assumable) risks may be financed up to the degree defined in the Credit The categories eligible for loan subject to conditions typically include the following transactions and portfolios: Policy and subject to individual limits.

VI. The categories eligible for loan subject to conditions typically include the following transactions and portfolios:
- Financing of corporate customers active in cyclical industries;
- Loans secured by real estate, granted to retail customers with no natural (foreign currency) hedge;
- Retail real estate financing transactions with high loan-to-value ratio;
- Financing granted to non-resident private individuals;
- Long-term consumer loans with high loan amount;
- Loans granted to high-risk (subprime) private individuals.

VII. Those segments that in the longer run may represent higher risk and upon the occurrence of a potential crisis are more likely to generate a loss, essentially should be avoided, but in exceptional cases – as regulated in the annual Credit Policy – they may be financed subject to stricter conditions and special deliberation/consideration. These include particularly:
- significant, larger, special exposures representing high concentration
- risk assumption vis-a-vis corporate clientele where the potential legal enforcement of the collateral carries reputation risk,
- consumer loans granted to retail customers with no natural (foreign currency) hedge;
- granting of high-amount, unsecured loan for long term to clientele in tight financial situation;
- financing the business needs of small entrepreneurs by loans granted to private individuals.

The Bank does not finance:
- **Customers:**
  - vis-a-vis whom risk assumption is excluded by international treaties, EU acts and international laws;
  - carrying high risk from a compliance perspective;
  - whose activity is likely to be against public morals or social ethics, or is connected to crime;
  - who can be connected, directly or indirectly, with criminal activities or the wilful violation or circumvention of legal regulations.

- **Transactions:**
  - aiming to violate legal regulations. Illegal arms trade, prohibited gambling, drug trade and all other activities that breach legal regulations qualify as prohibited business areas (e.g. money laundering, black economy) which violate legal regulations are classified as prohibited business areas;
  - do not comply with environmental requirements;
  - not complying with the principles of responsible lending (for example, the amount of credit that can be granted must be determined by the customer's ability to repay the loan in monthly installments);
  - involving the acquisition of securities representing membership rights issued by a member of a group of credit institutions or an undertaking closely linked to it or the acquisition of the cooperative holding.

B. Bank's exposure to credit risk and the risk of diminishing the amount of the claim

Definition of Approaches and Applied Methods for Recognizing Amendments to Expected Loans Losses under IFRS 9

IFRS 9 establishes a new depreciation model based on a forward-looking approach to "losses expected" that apply:
- Financial assets measured at amortized cost;
- Assets valued at fair value recognized in other comprehensive income, and
- Financing commitments and financial guarantee contracts.

According to the expected loss pattern set by IFRS 9, a credit event (impairment indicator) should not take place before the recognition of the loss adjustments. Consequently, expected losses should always be recognized at the level of at least the next 12 months. The expected loss over the entire period of the financial instrument will be recognized in the event of a significant increase in credit risk compared to the time of initial recognition.

OTP Bank Romania considers a wide range of relevant, reasonable and justifiable information when applying ECL accounting models relating to historical data, current conditions and projections of the future economic environment, as detailed in the continuation of this document. The judgment based on credit experience is taken into account when establishing future scenarios and potential consequences arising from the occurrence of risk events.

IFRS 9 sets out a three-stage depreciation assessment model according to which financial assets have (or have not) suffered a significant increase in credit risk compared to the time of initial recognition. The three stages determine the level of impairment to be recognized in the form of expected loss (ECL) (as well as the level of interest income to be recognized) at each reporting moment:

- **Stage 1**: Performance exposures and credit risk did not significantly increase - Recognition of expected losses for the next 12 months;
- **Stage 2**: Performance exposures but credit risk increased significantly from the time of initial recognition - Recognizing the expected lifetime loss;
- **Stage 3**: Non-performing exposures so that the financial asset is depreciated - Recognizing the expected lifetime loss.

The Bank uses two approaches to estimate the expected losses:

- Individual assessment
- Collective assessment

Recognition of the expected loss on loans on a collective basis

Recognition of the expected loss over the life of the financial assets on a collective basis should take into account comprehensive credit risk information. Comprehensive information on credit risk incorporates both historical and present-day relevant information, including macroeconomic forward-looking information to estimate a result close to recognizing expected loss over the life of individual financial assets. All credit exposures are subject to collective analysis without exception, even though some exposures are eventually analyzed and provisioned on an individual basis.

In order to determine the significant increase in credit risk and the recognition of an adjustment for impairment on a collective basis, the Bank will group financial instruments based on common credit risk characteristics in order to facilitate the early identification of significant credit risk growth.

Analysis of portfolio granularity for segmentation purposes is the first step of the collective analysis and is based on the analysis of default rates at sub-segments compared to upper segments. A significant deviation in these values indicates the favorable relevance of including the collective analysis sub-segment.

Recognition of expected loss on loans on an individual basis

Exposures will be analyzed on an individual basis if they meet the following depreciation and exposure conditions:

- Exposures related to legal entities or other economic entities with group values of more than EUR 300 thousand in equivalent, classified in Stage 3
- Exposures to legal entities or other economic entities managed by the Restructuring and Recovery Department Loans (regardless of value)
- Exposures related to real estate mortgaged individuals with RON 500 thousand equivalent equivalents, classified in Stage 3
- Exposures subject to notification under the "Law on the payment of real estate in order to settle the liabilities assumed by credits no.77 / 2016"

If the exposure improves its status and is reclassified in more favorable Stages than Stage 3, the exposure will be moved to the collective area.

The individual rating can be performed for exposures below the threshold above. Transfer from collective evaluation to individual assessment (and vice versa) is subject to the approval of the responsible persons in accordance with this standard.

The individual assessment could be considered in the case of an independent / external valuation of a portfolio before the sale. In this case, independent / external evaluations must meet all the individual assessment requirements defined in these norm.

If the exposure to a legal entity does not improve your status and remains classified in Stage 3 but its value falls below the established materiality thresholds, the customer will remain in the individual-based scope of analysis for the entire period during which the Stage 3 classification maintained.

If a legal entity customer or other economic entities are individually analyzed, all of the Bank's exposures to that client will be individually analyzed.

4.2 The management of the concentration risk

The concentration risk is that kind of risk arising from exposures towards counterparties, groups of related counterparties and counterparties from the same economic sector, geographic region or the same activity or goods or credit risk mitigation techniques and includes particularly the risks with large indirect exposures to credit risk (e.g. towards a single collateral issuer).

Concentration risk is measured and mitigated with internal limits. Setting the internal limits shall be done after analyzing the structure of the loan portfolio, including its estimate trends.

In order to manage the concentration risk, the Bank assumes a MEDIUM level of concentration risk, because it has a solid limits system and procedures that are periodically amended in accordance to the market and portfolio evolution.

4.3 Quantitative and qualitative information on credit and concentration risks

Table 1: Form 4: EU OV1 - Overview of RWA

		Risk-weighted assets (RWA)		**Minimum capital requirements**
		30/06/2022	**30/06/2021**	**30/06/2022**
1	**Credit risk (excluding CCR)**	**9,673,513**	**7,890,516**	**773,881**
2	Of which the standardized approach	9,673,513	7,890,516	773,881
3	Of which the core IRB (FIRB) approach			
4	Of which advanced IRB (AIRB) approach			
5	Of which equity securities from the IRB Approach under the simple risk-weighted approach or AMI			
6	**CCR**	**7,635**	**5,103**	**611**
7	Of which method of marking the market	-	-	-
8	Of which initial exposure method			
9	Of which standardized method			
10	Of which the Internal Model Method (MMI)			
11	Of which the amount of risk exposure for contributions to the CCP guarantee fund			
12	Of which credit assessment adjustment (CVA)	7,635	5,103	611
13	Settlement risk	-	-	-
14	Exposures in securitization in the banking portfolio (after the ceiling)			
15	Of which IRB approach			
16	Of which the IRB regulated formula method (SFA)			
17	Of which the Internal Assessment Based Approach (IAA)			
18	Of which the standardized approach			
19	**Market risk**	**6,394**	**4,075**	**512**
20	Of which the standardized approach	6,394	4,075	512
21	Of which AMI			
22	Large exposures	-	-	-
23	Operational risk	**1,110,081**	**1,014,156**	**88,807**
24	Of which basic approach	1,110,081	1,014,156	88,807
25	Of which the standardized approach			
26	Of which advanced assessment approach			
27	Values below the deduction thresholds (which are subject to a 250% risk weight)			
28	Adjustment for the minimum threshold			
29	**Total**	**10,797,624**	**8,913,850**	**863,810**

The following table shows the total and average value over the period of the net exposure broken down by exposure classes:

Table 2: Form 7: EU CRB-B - Total and average net exposures

(ths.RON)	Net value of exposures at the end of the period	Net average exposures related to the period
Central governments or central banks	4,516,038	4,088,842
Regional governments or local authorities	86,319	77,560
Public sector entities	0	0
Multilateral Development Banks	0	0
International organizations	0	0
Institutions	792,387	870,308
Companies	7,112,973	6,335,893
Retail	4,399,538	4,332,834
Secured by mortgages on immovable property	5,011,068	4,561,241
Overdue elements	309,521	346,687
Items associated with particularly high risk	0	0
Guaranteed bonds	0	0
Short claims on institutions and corporate	0	0
Collective Investments Undertakings (CIU)	13,073	13,678
Equity exposures	66,585	67,356
Other elements	993,875	999,506
Total	**23,301,377**	**21,693,906**

In order to analyze the diversification of the credit portfolio, OTP Bank Romania S.A. follows the distribution of the portfolio on the five geographical regions in which it divided the country's territory.

Table 3: Geographical breakdown of exposures

(ths.RON)	Center	Bucharest-Ilfov	South Muntenia	Soth East	South West - Oltenia	West	Nord East	Nord West	Other countries	Other areas	Total
Central governments or central banks	0	4,516,038	0	0	0	0	0	0	0	0	4,516,038
Regional governments or local authorities	1,209	18,230	0	0	0	0	14,004	52,876	0	0	86,319
Institutions	0	624,063	0	0	0	0	0	0	135,706	32,619	792,387
Companies	873,604	3,727,891	543,810	491,942	207,534	264,505	429,097	573,538	0	1,051	7,112,973
Retail	618,126	1,426,004	385,751	427,036	185,447	332,829	470,829	553,504	0	12	4,399,538
Exposures secured by mortgages on immovable property	447,228	2,454,307	342,601	244,063	122,587	391,155	285,187	723,940	0	0	5,011,068
Exposures in default	37,206	144,228	19,227	17,745	7,293	11,520	19,109	53,192	0	1	309,521
Collective Investment (OPC)	0	0	0	0	0	0	0	0	0	13,073	13,073
Equity exposures	0	66,585	0	0	0	0	0	0	0	0	66,585
Other Items	20,351	870,571	18,480	11,779	5,095	8,958	11,434	14,208	0	32,998	993,875
Total	1,997,724	13,847,917	1,309,870	1,192,566	527,955	1,008,967	1,229,660	1,971,257	135,706	79,755	23,301,377

The Bank monitors quarterly the concentration of the portfolio by sectors of activity and compliance with the limits set by the risk strategy. Below are the exposure classes according to the main sectors of activity at June 30, 2022:

Table 4.a. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Accommodation and food service activities	Administrative and support service activities	Agriculture, forestry and fishing	Arts, entertainment and recreation
Central governments or central banks	0	0	0	0
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	0
Companies	187,519	106,566	1,049,808	0
Retail	122,615	39,840	451,632	5,684
Exposures secured by mortgages on immovable property	8,351	2,236	14,240	617
Exposures in default	3,155	2,997	10,814	1,727
Collective investment (OPC)	0	0	0	0
Equity exposures	0	0	0	0
Other items	18	6	69	1
Total	**321,658**	**151,644**	**1,526,563**	**8,030**

Table 4.b. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Construction	Education	Electricity, gas, steam and air conditioning supply	Financial and insurance activities
Central governments or central banks	0	0	0	2,465,613
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	792,387
Companies	898,100	9,546	438,267	490,996
Retail	284,995	3,318	8,320	28,649
Exposures secured by mortgages on immovable property	37,949	434	26,350	19,589
Exposures in default	28,192	0	14,060	16
Collective investment (OPC)	0	0	0	13,073
Equity exposures	0	0	0	66,217
Other items	52	1	0	980,559
Total	**1,249,288**	**13,299**	**486,998**	**4,857,100**

Table 4.c. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Human health and social work activities	Information and communication	Manufacturing	Mining and quarrying
Central governments or central banks	0	0	0	0
Regional governments or local authorities	0	0	0	0
Public sector entities	0	0	0	0
Companies	35,014	4,614	1,083,139	28,564
Retail	20,771	30,915	351,930	12,342
Exposures secured by mortgages on immovable property	5,452	4,439	12,391	1,747
Exposures in default	0	10,539	45,976	0
Collective investment (OPC)	0	0	0	0
Equity exposures	0	288	0	0
Other items	1	3	8,708	0
Total	**61,238**	**50,798**	**1,502,143**	**42,652**

Table 4.d. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Other service activities	Professional, scientific and technical activities	Public administration and defense; compulsory social security	Real estate activities
Central governments or central banks	0	0	2,050,425	0
Regional governments or local authorities	0	0	85,380	0
Public sector entities	0	0	0	0
Companies	5,652	106,634	0	1,111,115
Retail	3,388	58,804	0	43,927
Exposures secured by mortgages on immovable property	4,223	18,212	0	4,744
Exposures in default	16	19,975	0	9,964
Collective investment (OPC)	0	0	0	0
Equity exposures	80	0	0	0
Other items	4	22	0	34
Total	**13,363**	**203,647**	**2,135,805**	**1,169,784**

Table 4.e. : Concentration of exposures by sector and type of counterparty

(ths.RON)	Transportation and storage	Water supply, sewerage, waste management, and remediation activities	Wholesale and retail trade; repair of motor vehicles and motorcycles	Others	Total
Central governments or central banks	0	0	0	0	4,516,038
Regional governments or local authorities	0	0	0	939	86,319
Public sector entities	0	0	0	0	792,387
Companies	189,078	46,584	1,314,217	7,558	7,112,973
Retail	151,660	46,373	611,769	2,122,607	4,399,538
Exposures secured by mortgages on immovable property	8,822	2,666	80,026	4,758,583	5,011,068
Exposures in default	2,488	0	24,796	134,804	309,521
Collective investment (OPC)	0	0	0	0	13,073
Equity exposures	0	0	0	0	66,585
Other items	67	0	126	4,204	993,875
Total	**352,116**	**95,623**	**2,030,934**	**7,028,695**	**23,301,377**

Table 5: Form 10- UE CRB-E: Exposure by maturity

(ths.RON)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No maturity declared	Total
Central governments or central banks	0	1,839,136	931,781	814,546	930,575	4,516,038
Regional governments or local authorities	0	3,916	3,680	78,723	0	86,319
Public sector entities	0	572,719	481	0	219,187	792,387
Companies	0	2,440,361	2,571,795	2,093,914	6,901	7,112,973
Retail	1	869,090	2,324,843	1,200,903	4,702	4,399,538
Exposures secured by mortgages on immovable property	0	155,861	108,655	4,746,550	3	5,011,068
Exposures in default	0	51,301	94,879	118,586	44,755	309,521
Collective investment (OPC)	0	0	0	0	13,073	13,073
Equity exposures	0	0	0	0	66,585	66,585
Other items	0	5,744	94	0	988,037	993,875
Total	1	5,938,128	6,036,208	9,053,223	2,273,818	23,301,377

Table 6: Form 11: EU CR1-A - Exposure credit grade by exposure class and instrument

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non - defaulted exposures				
Central governments or central banks						
Institutions						
Corporates						
Of which: Specialized lending						
Of which: SME						
Retail						
Secured by real estate property						
SMEs						
Non-SMEs						
Qualifying revolving						
Other retail						
SMEs						
Non-SME						
Equity						
Total IRB approach						
Central governments or central banks	-	4,522,632	6,594	-		-
Regional governments or local authorities	-	86,471	153	-		-
Public sector entities	-	-	-	-		-
Multilateral development banks	-	-	-	-		-
International organizations	-	-	-	-		-
Institutions	-	794,647	2,120	-		-
Corporates	-	7,249,941	137,300	-		-
Of which: SMEs	-	4,610,386	81,080	-		-
Retail	-	4,545,753	146,024	-		-
Of which: SMEs	-	2,319,563	44,671	-		-
Secured by mortgages on immovable property	-	5,011,068	-	-		-
Of which: SMEs	-	219,302	-	-		-
Exposures in default	602,282	-	292,762	-	234,535	602,282
Items associated with particularly high risk	-	-	-	-		-
Covered bonds	-	-	-	-		-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-		-
Collective investments undertakings	-	13,073	-			-
Equity exposures	-	70,961	4,376	-		-
Other exposures	-	1,328,555	334,680	-		-
Total standardized approach	**602,282**	**23,623,103**	**924,007**	-	**234,535**	**602,282**
Total	**602,282**	**23,623,103**	**924,007**	-	**234,535**	**602,282**
Of which: Loans	581,785	16,831,661	866,874	-	234,535	581,785
Of which: Debt securities	-	3,520,420	6,026	-		-
Of which: Off - balance- sheet exposures	20,496	3,271,022	51,107	-		20,496

Table 6.1: Form 12: EU CR1-B - Quality of exposure credit by industry or counterparty type

	Gross carrying values of					
	Defaulted exposures	**Defaulted exposures**	**Specific credit risk adjustment**	**General credit risk adjustment**	**Credit risk adjustment charges of the period**	**Net values (a+b-c-d)**
Agriculture, forestry and fishing	18,861	1,536,290	28,584	-	3,011	1,526,568
Mining and quarrying	-	43,120	468	-	81	42,653
Manufacturing	112,210	1,494,084	104,144	-	29,913	1,502,150
Electricity, gas, steam and air conditioning supply	22,603	480,856	16,461	-	-	486,998
Water supply	-	97,257	1,628	-	159	95,628
Construction	51,382	1,242,764	44,834	-	38,706	1,249,311
Wholesale and retail trade	62,130	2,046,890	78,071	-	126,653	2,030,949
Transport and storage	8,730	355,302	11,906	-	15,331	352,125
Accommodation and food service activities	4,611	324,240	7,188	-	1,309	321,662
Information and communication	13,331	41,006	3,536	-	9,066	50,800
Financial and insurance activities	8,994	5,214,006	362,812	-	7	4,860,188
Real estate activities	11,036	1,176,749	17,998	-	82	1,169,786
Professional, scientific and technical activities	33,571	187,171	17,088	-	3,802	203,654
Administrative and support service activities	10,507	151,776	10,634	-	1,005	151,648
Public administration and defense, compulsory social security	-	2,143,002	6,258	-	-	2,136,744
Education	-	14,243	940	-	17	13,304
Human health services and social work activities	-	62,660	1,421	-	-	61,239
Arts, entertainment and recreation	1,822	6,788	579	-	38	8,031
Other services	16	13,592	242	-	25	13,367
Households	242,479	6,991,307	209,215	-	5,329	7,024,572
Total	**602,282**	**23,623,103**	**924,007**	**-**	**234,535**	**23,301,377**

Table 7: Template 1: Credit quality of forborne exposures

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	114,671	254,079	254,079	254,079	-19,094	-154,630	187,635	97,864
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	66,236	203,767	203,767	203,767	-12,605	-128,542	127,742	75,216
Of which SMEs	59,247	98,121	98,121	98,121	-11,327	-54,524	90,402	43,587
Households	48,435	50,312	50,312	50,312	-6,489	-26,088	59,893	22,648
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	320	33	33	33	-	-	-	-
Total	**114,991**	**254,112**	**254,112**	**254,112**	**-19,094**	**-154,630**	**187,635**	**97,864**

Table 8: Template 2: Quality of forbearance

	Gross carrying amount of forborne exposures
Loans and advances that have been forborne more than twice	125,237
Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	152,598

Table 9: Template 3: Credit quality of performing and non-performing exposures by past due days

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**13,870,642**	**13,793,314**	**77,328**	**581,783**	**241,133**	**69,849**	**59,377**	**47,212**	**104,754**	**20,971**	**38,487**	**581,783**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	94,640	94,640	-	-	-	-	-	-	-	-	-	-
Credit institutions	54,119	54,119	-	-	-	-	-	-	-	-	-	-
Other financial corporations	481,474	481,471	3	20	-	-	-	-	20	-	-	20
Non-financial corporations	6,305,532	6,303,078	2,454	330,870	126,087	31,554	28,627	3,272	100,305	11,381	29,644	330,870
Of which SMEs	5,060,654	5,058,203	2,451	194,346	77,647	11,910	25,654	3,272	44,194	11,381	20,288	194,346
Households	6,934,877	6,860,006	74,871	250,893	115,046	38,295	30,750	43,940	4,429	9,590	8,843	250,893
Debt securities	**2,003,860**	**2,003,860**	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	2,003,860	2,003,860	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**3,276,333**			**20,496**								**20,496**
Central banks	-			-								-
General governments	65,798			-								-
Credit institutions	48,135			-								-
Other financial corporations	95,551			-								-
Non-financial corporations	2,956,562			19,920								19,920
Households	110,287			576								576
Total	**19,150,835**	**15,797,174**	**77,328**	**602,279**	**241,133**	**69,849**	**59,377**	**47,212**	**104,754**	**20,971**	**38,487**	**602,279**

Table 10: Template 4: Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**13,870,642**	**12,046,186**	**1,824,456**	**581,783**	**-**	**581,783**	**-295,488**	**-133,747**	**-161,741**	**-358,224**	**-**	**-358,224**	**-27,990**	**10,496,259**	**190,631**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
General governments	94,640	94,640	-	-	-	-	-200	-200	-	-	-	-		77,577	-
Credit institutions	54,119	54,119	-	-	-	-	-381	-381	-	-	-	-		-	-
Other financial corporations	481,474	480,960	514	20	-	20	-13,593	-13,522	-71	-5	-	-5		119,159	16
Non-financial corporations	6,305,532	5,558,310	747,222	330,870	-	330,870	-154,638	-94,252	-60,386	-216,162	-	-216,162	-27,990	4,678,297	114,221
Of which SMEs	5,060,654	4,526,310	534,344	194,346	-	194,346	-115,710	-69,968	-45,742	-127,461	-	-127,461	-10,052	3,801,505	66,396
Households	6,934,877	5,858,157	1,076,720	250,893	-	250,893	-126,676	-25,392	-101,284	-142,057	-	-142,057		5,621,226	76,394
Debt securities	**2,003,860**	**2,003,860**	**-**	**-**	**-**	**-**	**-7,552**	**-7,552**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-		-	-	-	-	-	-	-			
General governments	2,003,860	2,003,860	-	-		-	-7,552	-7,552	-	-	-	-			
Credit institutions	-	-	-	-		-	-		-	-	-	-			
Other financial corporations	-	-	-	-		-	-		-	-	-	-			
Non-financial corporations	-	-	-	-		-	-		-	-					
Off-balance-sheet exposures	-	-	-	-		-	-		-	-	-	-			
Central banks	**3,276,333**	**3,061,130**	**215,203**	**20,496**	**-**	**20,496**	**-60,312**	**-51,024**	**-9,288**	**-5,406**	**-**	**-5,406**	**-**	**1,423,820**	**14,411**
General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Credit institutions	65,798	65,798	-	-	-	-	-91	-91	-	-	-	-		40,853	-
Other financial corporations	48,135	48,135	-	-	-	-	-	-		-	-	-		40,831	-
Non-financial corporations	95,551	95,414	137	-	-	-	-1,666	-1,652	-14	-	-	-		47,732	-
Households	2,956,562	2,742,284	214,278	19,920	-	19,920	-57,867	-48,695	-9,172	-5,114	-	-5,114	-	1,283,421	14,408
Total	110,287	109,499	788	576	-	576	-688	-586	-102	-292	-	-292		10,983	3

Table 11: Template 5: Quality of non-performing exposures by geography

	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance-sheet exposures	14,452,425	581,783	581,785	14,452,425	-653,712	-	-
Romania	14,378,001	580,014	580,014	14,378,001	-651,287		
Netherlands	56,608	6	6	56,608	-1,837		
Slovakia	5,364	1	1	5,364	-153		
Slovenia	2,077	0	0	2,077	-63		
United Kingdom	1,845	1	1	1,845	-29		
France	1,742	1,646	1,646	1,742	-15		
Switzerland	1,697	0	0	1,697	-145		
Germany	1,571	44	44	1,571	-46		
Ireland	1,486	0	0	1,486	-23		
United States	682	1	1	682	-12		
Spain	270	29	29	270	-22		
Sweden	197	0	0	197	0		
Poland	197	0	0	197	0		
Hungary	180	18	18	180	-25		
Canada	122	0	0	122	-6		
Belgium	113	0	0	113	-5		
Denmark	95	0	0	95	-6		
Italy	86	7	7	86	-9		
Austria	61	0	0	61	-5		
Macedonia	11	0	0	11	-1		
Portugal	8	4	4	8	-4		
Moldavia	5	3	3	5	-3		
Turkey	2	0	0	2	0		
Ukraine	1	0	0	1	0		
Croatia	1	0	0	1	0		
Greece	1	1	1	1	-1		
Lithuania	1	0	0	1	0		
Sri Lanka	1	0	0	1	0		
Bulgaria	1	0	0	1	0		
Czech Republic	1	0	0	1	0		
Off-balance-sheet exposures	**3,296,829**	**20,496**	**20,497**	**3,296,829**	**-65,718**		
Romania	3,253,564	20,496	20,496	3,253,564	-65,681		
Hungary	40,955	0	0	40,955	0		
Netherlands	1,425	-	-	1,425	-35		
Poland	798	-	-	798	-		
Ireland	22	-	-	22	0		
Portugal	15	-	0	15	0		
Germany	15	-	-	15	0		
Italy	14	-	-	14	0		
Spain	9	-	-	9	0		
United Kingdom	6	-	-	6	0		
Total	**17,749,254**	**602,279**	**602,281**	**17,749,254**	**-719,431**		

Table 12: Template 6: Credit quality of loans and advances by industry

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	1,280,430	18,400	18,400	1,280,430	-31,790	1,280,430
Mining and quarrying	34,333	-	-	34,333	-474	34,333
Manufacturing	1,035,590	110,831	110,831	1,035,590	-118,121	1,035,590
Electricity, gas, steam and air conditioning supply	162,776	22,303	22,303	162,776	-14,918	162,776
Water supply	47,533	-	-	47,533	-1,209	47,533
Construction	821,924	51,333	51,333	821,924	-46,358	821,924
Wholesale and retail trade	1,283,951	57,648	57,648	1,283,951	-77,204	1,283,951
Transport and storage	299,612	8,729	8,729	299,612	-13,693	299,612
Accommodation and food service activities	246,189	4,584	4,584	246,189	-7,772	246,189
Information and communication	34,212	9,366	9,366	34,212	-3,982	34,212
Financial and insurance activities	-	-	-	-	-	-
Real estate activities	1,027,823	6,931	6,931	1,027,823	-19,123	1,027,823
Professional, scientific and technical activities	164,967	28,525	28,525	164,967	-20,266	164,967
Administrative and support service activities	113,784	10,507	10,507	113,784	-12,182	113,784
Public administration and defense, compulsory social security	-	-	-	-	-	-
Education	10,750	-	-	10,750	-1,136	10,750
Human health services and social work activities	57,370	-	-	57,370	-1,649	57,370
Arts, entertainment and recreation	7,290	1,713	1,713	7,290	-688	7,290
Other services	7,868	-	-	7,868	-235	7,868
Total	**6,636,402**	**330,870**	**330,870**	**6,636,402**	**-370,800**	**6,636,402**

Table 13: Template 7: Collateral valuation – loans and advances

	Loans and advances											
		Performing		Non-performing								
						Past due > 90 days						
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
Gross carrying amount	**14,452,425**	**13,870,642**	**77,328**	**581,783**	**241,133**	**340,650**	**69,849**	**59,377**	**47,212**	**104,754**	**20,971**	**38,487**
Of which secured	**13,960,068**	**13,410,569**	**76,041**	**549,499**	**227,719**	**321,780**	**69,202**	**55,757**	**45,124**	**93,547**	**20,580**	**37,571**
Of which secured with immovable property	9,372,818	9,024,434	58,198	348,384	189,811	158,573	24,463	15,476	6,746	75,637	18,969	17,282
Of which instruments with LTV higher than 60% and lower or equal to 80%	2,405,515	2,318,528		86,987	64,730	22,257						
Of which instruments with LTV higher than 80% and lower or equal to 100%	2,297,535	2,271,224		26,311	15,747	10,564						
Of which instruments with LTV higher than 100%	1,344,006	1,194,621		149,385	46,598	102,787						
Accumulated impairment for secured assets	**-609,035**	**-281,576**	**-13,768**	**-327,459**	**-92,674**	**-234,785**	**-33,481**	**-38,764**	**-31,329**	**-82,313**	**-14,682**	**-34,218**
Collateral												
Of which value capped at the value of exposure	10,552,122	10,361,955	49,795	190,167	128,094	62,073	29,356	9,275	2,996	11,197	5,897	3,352
Of which immovable property	8,150,315	7,989,799	48,898	160,516	120,050	40,466	12,831	7,261	2,904	9,230	5,711	2,528
Of which value above the cap	8,684,095	8,199,700	43,829	484,396	279,405	204,990						
Of which immovable property	7,159,553	6,765,906	42,924	393,648	246,623	147,024						
Financial guarantees received	**134,769**	**134,305**	**1,352**	**464**	**353**	**111**	**49**	**60**	**-**	**1**	**-**	**-**
Accumulated partial write-off	**-27,990**	**-**	**-**	**-27,990**	**-**	**-27,990**	**-**	**-**	**-**	**-**	**-**	**-27,990**

Table 14: Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown

	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	-	-	-	-								
Collateral obtained by taking possession other than classified as PP&E	**2,646**	-	**1,130**	-	-	-	**1,130**	-	-	-	**1,130**	-
Residential immovable property	2,203	-	1,004	-	-	-	1,004	-	-	-	1,004	-
Commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-
Movable property (auto, shipping, etc.)	-	-	-	-	-	-	-	-	-	-	-	-
Equity and debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Other	444	-	126	-	-	-	126	-	-	-	126	-
Total	**2,646**	-	**1,130**	-	-	-	**1,130**	-	-	-	**1,130**	-

Table 15: Template 9: Collateral obtained by taking possession and execution processes

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	1,130	-
Other than PP&E	-	-
Residential immovable property	1,004	-
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other	126	-
Total	**1,130**	**-**

Table 16: Template 8: Changes in the stock of non-performing loans and advances

	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances	**583,087**	
Inflows to non-performing portfolios	103,601	
Outflows from non-performing portfolios	104,905	
Outflow to performing portfolio	15,360	
Outflow due to loan repayment, partial or total	63,682	
Outflow due to collateral liquidation	2,540	-
Outflow due to taking possession of collateral	1,395	-
Outflow due to sale of instruments	1,308	-
Outflow due to risk transfer		
Outflow due to write-off	20,620	-
Outflow due to other situations		
Outflow due to reclassification as held for sale		
Final stock of non-performing loans and advances	**581,783**	

Table 17: Form 16: UE CR2-A – Modification of specific adjustments for cumulative credit risk

	Specific adjustments for cumulative credit risk
Opening balance	**(631,131)**
Increases due to initiation and purchase	(76,880)
Decreases due to derecognition	1,605
Changes due to changes in credit risk (net)	276
Variations due to changes without derecognition (net)	19,635
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	19,882
Other adjustments	2,466
Closing balance	**(664,146)**
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	1,034
Sums deducted directly from the profit or loss statement	-

Table 17.1: Form 16: EU CR2-B - Changes in the stock of loans and debt securities in default and impaired

	Cumulated specific adjustments for credit risk
Opening balance	**(334,674)**
Increases due to initiation and purchase	(15,681)
Decreases due to derecognition	603
Changes due to changes in credit risk (net)	(16,606)
Variations due to changes without derecognition (net)	(6,398)
Variations due to updating the institution's estimation methodology (net)	-
Decrease in the depreciation adjustment account due to off-balance sheet removals	19,850
Other adjustments	11,092
Closing balance	**(341,814)**
Recoveries of amounts previously removed from the balance sheet directly recognized in profit or loss	1,034
Sums deducted directly from the profit or loss statement	-

Table 18: COVID 19 - Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		'of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**1,737,883**	**40,058**	**973,292**	-
of which: Households	539,610			-
of which: Collateralized by residential immovable property	525,313			-
of which: Non-financial corporations	1,188,916	6,210	965,642	-
of which: Small and Medium-sized Enterprises	1,066,582			-
of which: Collateralized by commercial immovable property	84,712			-

Table 18.1: COVID 19 - Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	1,851,066	1,711,177	12,434	560,817	139,889	13,682	65,866	-122,034	-47,268	-4,626	-40,327	-74,766	-9,329	-27,528	24,784
of which: Households	1,309,736	1,188,812	3,448	454,235	120,924	13,240	60,176	-96,395	-31,723	-476	-29,891	-64,671	-9,298	-26,296	23,481
of which: Collateralised by residential immovable property	1,168,296	1,092,163	3,121	415,357	76,133	12,973	50,262	-58,592	-24,841	-420	-24,154	-33,751	-9,082	-19,791	16,933
of which: Non-financial corporations	525,970	507,004	8,986	106,583	18,966	442	5,690	-25,126	-15,032	-4,149	-10,436	-10,095	-31	-1,232	1,303
of which: Small and Medium-sized Enterprises	488,219	470,355	8,986	104,236	17,864	442	4,589	-23,864	-14,418	-4,149	-10,317	-9,446	-31	-583	1,303
of which: Collateralised by commercial immovable property	466,726	455,122	8,282	82,871	11,604	386	5,176	-17,713	-12,525	-4,060	-8,588	-5,188	-26	-1,028	227

Table 18.2: COVID 19 - Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	33,486	4,140,990			33,486	4,140,990			
Loans and advances subject to moratorium (granted)	22,222	1,851,067	1,007,545	1,851,067	22,222	1,851,067	-	-	-
of which: Households		1,309,736	565,190	1,309,736		1,309,736	-	-	-
of which: Collateralized by residential immovable property		1,168,296	491,832	1,168,296		1,168,296	-	-	-
of which: Non-financial corporations		525,970	426,993	525,970		525,970	-	-	-
of which: Small and Medium-sized Enterprises		488,220	399,487	488,220		488,220	-	-	-
of which: Collateralized by commercial immovable property		466,726	381,942	466,726		466,726	-	-	-

4.4 Using credit risk mitigation techniques

The bank has developed internal regulations, which state the types of accepted collaterals regarding contracts, which imply any level of exposure, as well as the conditions for accepting these collaterals. At the same time, the Bank makes efforts to include, as part of loan transactions, collaterals that do not have a guarantee value, in order to improve the safety of the lending process and to consolidate the solvability of its debtors.
The policies and processes used for the assessment and management of real collaterals contain the following:

- the legal provisions and types of collateral most frequently used as guarantee in loans contracts
- the criteria and factors which serve as basis for collateral valuation, depending on collateral type
- the requirements for the legal options for enforcement of collaterals and the acceptability of their values
- methods applied for collateral valuation
- procedures to be applied in case changes appear with respect to collateral availability, valuation and the legal options for enforcement of collaterals
- the frequency of periodical reevaluation of collaterals.

Table 19: Form 18: EU CR3 - Credit risk mitigation techniques - Overview

	Unsecured exposures - Book value	Guaranteed Exposures - Book Value	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	17,644,621	5,656,755	5,531,893	124,863	-
Total debt securities	3,514,394	-	-	-	-
Total exposures	**21,159,015**	**5,656,755**	**5,531,893**	**124,863**	**-**
Of which in default	192,195	117,326	117,326	-	-

The Bank calculates risk-weighted amounts based on the standardized approach described in EU Regulation 575/2013 of the European Parliament and of the Council from June, 26th 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation no.648/2012. In this respect, the Bank uses ratings information provided by three external credit assessment institutions: Standard and Poor's. Moody's and Fitch. This information is used for the following asset classes: central governments or central banks, regional government or local authorities, public sector entities, multilateral development banks, international organizations, institutions, corporates, retail, secured by mortgages on immovable property, exposures in default, exposures associated with particularly high risk, covered bonds, institutions and corporates with a short-term credit assessment, collective investment undertakings, equity, other items.

Table 20: Form 19: EU CR4 - Standardized Approach - Exposure to Credit Risk and CRM Effects

Exposure classes	Exposures before CCF and CRM		Exposures after CCF and CRM		RWA and RWA density	
	Balance sheet value	Off-balance sheet value	Balance sheet value	Off-balance sheet value	RWA	RWA density
Central governments or central banks	4,496,574	19,464	4,803,061	556	29,799	0.14%
Regional government or local authorities	40,057	46,262	40,057	6,297	9,271	0.04%
Public sector entities	-	-	-	-	-	0.00%
Multilateral development banks	-	-	-	-	-	0.00%
International organizations	-	-	-	-	-	0.00%
Institutions	743,028	49,359	819,446	57,265	234,995	1.13%
Corporates	4,916,891	2,196,083	4,807,481	515,358	5,322,838	25.71%
Retail	3,577,620	821,918	3,234,211	96,789	2,498,250	12.07%
Secured by mortgages on immovable property	4,921,221	89,848	4,921,221	30,944	1,733,258	8.37%
Exposures in default	292,043	17,477	292,043	6,304	326,455	1.58%
Exposures associated with particularly high risk	-	-	-	-	-	0.00%
Covered bonds	-	-	-	-	-	0.00%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Collective investment undertakings	13,073	-	13,073	-	35,489	0.17%
Equity	66,585	-	66,585	-	66,585	0.32%
Other items	993,875	-	993,875	-	440,568	2.13%
Total	**20,060,966**	**3,240,411**	**19,991,053**	**713,514**	**10,697,508**	**51.67%**

Table 21: Form 20: EU CR5 - Standardized Approach

Exposure classes	Risk weight															Total	Of which unrated
	0%	10%	20%	25%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	O	D		
Central governments or central banks	4,367,045	-	148,993	-	-	-	-	-	-	-	-	-	-	-	-	3,657,255	3,188,647
Regional government or local authorities	-	-	86,319	-	-	-	-	-	-	-	-	-	-	-	-	48,325	48,325
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	684,204	-	-	104,383	-	-	3,800	-	-	-	-	-	-	691,989	354,443
Corporates	-	-	-	-	-	-	-	-	7,112,973	-	-	-	-	-	-	5,499,612	5,499,612
Retail	-	-	-	-	-	-	-	4,399,538	-	-	-	-	-	-	-	3,705,055	3,705,055
Secured by mortgages on immovable property	-	-	-	-	5,011,068	-	-	-	-	-	-	-	-	-	-	4,079,076	4,079,076
Exposures in default	-	-	-	-	-	-	-	-	249,270	60,251	-	-	-	-	-	292,247	292,247
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	2,330	-	3,569	-	-	1,045	-	-	3,341	358	-	-	2,430	-	-	13,500	13,500
Equity	-	-	-	-	-	-	-	-	66,585	-	-	-	-	-	-	67,801	47,661
Other items	385,399	-	209,885	-	-	-	-	-	398,591	-	-	-	-	-	-	970,511	969,131
Total	**4,754,775**	-	**1,132,970**	-	**5,011,068**	**105,428**	-	**4,399,538**	**7,834,560**	**60,609**	-	-	2,430	-	-	**19,025,371**	**18,197,697**

The main categories of collateral accepted by the Bank in the lending process are:

Table 22: Type of collaterals

Crt. No.	COLLATERAL TYPE
1	Mortgages
2	Claims on central and local public administrations, insurance companies, Central Bank and Banking activity sector
3	Pledges
4	Securities
5	Items in collection - Order of payment, checks, promissory notes
6	Cession of incomes, invoices and other
7	Collateral to another Bank
8	Collateral cash, cash
9	Guarantee fund facility
10	Life insurance and financial risk

Evaluation and management of these types of collateral is defined in the Bank's internal regulations approved by the National Bank of Romania. Depending on the type of guarantee, their evaluation is either outsourced or done internally.

4.5 Management of the large exposures towards clients or group of connected clients

According to the stipulations of the EU Regulation no. 575/2013 of the European Parliament and of the Council from June, 26th 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation no.648/2012, the Bank monitors and quarterly calculates the exposures towards third parties, identifies the large exposures and reports them to the NBR and inform about them the Risk Management Committee and Management Board.

4.6 Country Risk Management

The country risk is associated to the credit risk, determined by the economic, social and politic conditions of the borrower's country of origin.

The country risk is managed through permanent monitoring of the evolutions in those countries where the Bank registers exposures and by taking decisions related to the available limits, when appropriate. Also, country risk will be considered by Global Markets Directorate in all risk assumptions towards counterparties, particularly towards the Banks that are making deals with.

The Risk Management Committee oversees the use and compliance of the country limits.

4.7 Counterparty Risk Management

The purpose of counterparty risk management is to minimize the potential loss as a consequence of the non-fulfillment of contractual obligations by the counterparty.

The Bank maintains a detailed list of approved counterparty limits, both at individual and at group level. The Operational and Market Risk Department maintains and updates a list containing the limits approved for each counterparty, specific products which can be traded and maximum tenors for which transactions can be performed.

The limit for a counterparty is determined based on:

- counterparty's rating
- the counterparty's regulatory capital

- aspects related to the business strategy, along with the compliance with legal provisions regarding risk-taking activity.

During the process of limit setting for a counterparty, the Bank also respects the provisions of EU Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

In order to minimize counterparty risk the banks aims to perform transactions on a collateralized basis, whenever possible. Thus, in order to comply with regulations in force, the Bank has signed a number of ISDA and GMRA agreements with various eligible counterparties for performing transactions with derivative financial instruments or Repo transactions. The agreements are provide for the exchange of collateral between the parties in the agreement in order to mitigate counterparty credit risk. Additionally, in order to provide its non-bank clients with the ability to hedge their financial risks, the Bank signs a Derivatives Master Agreement with them based on which transactions with derivative financial instruments can be performed based on collateral.

The bank does not currently hold a rating provided by a credit assessment agency. The signed ISDA and GMRA agreements do not provide for an increase in collateral the Bank has to provide in case of a lower credit assessment.

The counterparty limits are approved by the Bank's Operative Risk Committee and OTP Bank Nyrt. Hungary following proposals from the Operational and Market Risk Department. This department has the responsibility to perform the financial analysis in order to calculate the maximum risk exposure, to manage the counterparty limits, to monitor the exposures and to present them to the Operative Risk Committee. Regarding the limits with credit institutions used daily by Treasury Directorate, the Operational and Market Risk Department within Risk Administration Directorate, updates the limits in the Fusion Risk system (implemented at OTP Group level), in order to determine at any time the available limits. The Operational and Market Risk Department presents a quarterly report to the Operative Risk Committee containing the Bank's counterparty exposure.

The own funds requirement for credit risk adjustment (CVA) for derivatives is calculated in accordance with EU Regulation 575/2013, article 382, point 1.
Intragroup transactions are excluded from the application of own funds requirements for CVA risk in accordance with Article 382 (4), Lit.B.

In the calculation algorithm of CVA, OTP Bank Romania SA applies the standardized method described in article 384 of the same Regulation. Thus, the own funds requirement is determined at portfolio level for each counterparty.

Table 23: Form 25: EU CCR1 - Analysis of CCR exposure by approach

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)				1.4				
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-	-	1.4		-	-	-
1	SA-CCR (for derivatives)	22,539	98,444		1.4	169,376	169,376	169,376	45,070
2	IMM (for derivatives and SFTs)								
2a	*Of which securities financing transactions netting sets*								
2b	*Of which derivatives and long settlement transactions netting sets*								
2c	*Of which from contractual cross-product netting sets*								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	**Total**					**169,376**	**169,376**	**169,376**	**45,070**

Table 24: Form EU CCR2 - Capital Requirement for CVA

Total transactions subject to the advanced method	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) SVaR component (including the 3×multiplier)	-	-
Transactions subject to the standardized method	48,671	7,635
Transactions based on the original exposure method	-	-
Total subject to the CVA capital charge	**48,671**	**7,635**

Table 25: Form EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	Exposure classes	**Risk weight**											
		0 %	2 %	4 %	10 %	20%	50%	70 %	75 %	100%	150 %	Others	Total exposure value
1	Central governments or central banks												
2	Regional government or local authorities												
3	Public sector entities												
4	Multilateral development banks												
5	International organisations												
6	Institutions					140,065	24,508			3,750			168,324
7	Corporates									1,051	1		1,052
8	Retail												
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**					**140,065**	**24,508**			**4,802**	**1**		**169,376**

Table 26: Form EU CCR5 – Composition of collateral for exposures to CCR

		Collateral used in derivative transactions				**Collateral used in SFTs**			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency								
2	Cash – other currencies								
3	Domestic sovereign debt								
4	Other sovereign debt								
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	**Total**								

4.8 Residual Risk Management

The residual risk is the risk that the credit risk mitigation techniques used by the Bank are less effective than projected and derive from the application of credit risk mitigation techniques used under the minimum capital requirements.

The Bank's objective of managing the residual risk is to monitor and maintain the value of certain indicators within the limits set by the Bank. Risk Profile - OTP Bank Romania S.A. proposes an average low level of exposure to residual risk as the share of personal guarantees and financial guarantees is very low.

4.9 Market Risk Management

The market risk is the risk that the movement of the prices on the financial markets (exchange rates, interest rates, value of the shares and other securities, the prices commodities, etc.) modify the value of the trading portfolio (Trading Book) of the Bank. This definition can be extended so that it also includes the interest risk given by the products outside of the trading portfolio (Banking Book).

The bank targets a medium-low level of market risk. For this purpose, the market risk level will be permanently measured and monitored in view of its mitigation.

In order to achieve its strategic business objectives, the Bank engages in trading activities with the scope of increasing its revenues and in order to offer its clients a broad range of products and services related to managing financial risks.
The purpose of market risk management is to minimize the potential losses that may be caused by the unfavorable evolution of exchange rates, interest rates and shares prices. At the same time, OTP Bank Romania SA aims to maintain market risk at a level correlated with the Group's business strategy.

In order to appropriately manage the risks generated by Trading Book activities, the Bank manages the market risk exposure of the Trading Book portfolio separately from that of the Banking Book activities.

Market risk exposure is managed through a set of limits, which shall be set annually and updated periodically according to market conditions, in compliance with a prudent policy. Market risk limits are set up and managed within the Market Risk Portal system.

The organizational units of the Bank involved management and monitoring are the following:

- Operational & Market Risk Department within the Risk Management Directorate – applies the regulations in force regarding market risk measurement and monitoring
- Global Markets Directorate – undertakes and manages market risk in compliance with the principles and limits approved
- Middle Office Department within the Strategy, Controlling and Asset and Liability Management Directorate is responsible for the daily calculation of the profitability of the trading activity.

Communication between the above-mentioned units is performed periodically (within the regular meetings of the Bank's committees or when reviewing internal regulations, limits and business strategies) or an ad-hoc basis in order to discuss and address market evolutions, business requirements or market risk management issues.
In order to comply with regulatory requirements, the Bank has developed specific regulations and systems.

The internal regulations related to market risk management, measurement and monitoring are:

- internal norm regarding Market Risk Management, which describes:
  - the basic principles, as well as the methods used by OTP Bank Romania SA for the measurement and management of market risk and its components
  - the responsibilities of each unit involved in market risk management, monitoring and profitability calculation
- internal norm regarding Rules for establishing and evaluating the Trading Book, which describes:
  - the definition of the trading book
  - the criteria used to separate the trading book from the banking book
  - trading book management

  - trading book positions' valuation: these are marked-to-market daily with the help of the Kondor+ system trough an automatic process
  - provisions regarding the reclassification of positions between Trading Book and Banking Book: reclassification is not allowed.
- the Trading Strategy establishes the general framework in which the positions/portfolios owned for trading are managed
- procedure regarding the Treasury Middle Office Department Activity, which describes the process of calculating the profitability of the trading activity.

The systems used for market risk management, measurement and monitoring are:

- Kondor+: the electronic system used for the registration, monitoring and reporting of the deals performed by the Treasury Directorate
- Market Risk Portal: the market risk management software implemented at OTP Group level
- Fusion Risk: risk management software used for calculating certain risk indicators and performing stress tests for Trading Book positions
- Ab-solut: the Bank's core banking system

Table 27: Form 34: EU MR1 - Market risk according to the standardized approach

	RWEAs
Outright products	
Interest rate risk (general and specific)	6,394
Equity risk (general and specific	-
Foreign exchange risk	-
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitization (specific risk)	-
Total	**6,394**

4.10 Foreign currency risk

The Bank is engaged in proprietary trading on the foreign currency market. The Bank may perform transactions and open only for the following foreign currency position: EUR, USD, GBP, CHF, CAD, JPY, HUF, AUD, SEK, DKK, NOK, PLN and CZK. New foreign currencies can be included with the approval of the Product Development, Sales and Pricing Committee.

The foreign currency risk monitoring is insured through compliance with the defined internal limits.

The bank established the following limits: FX Position limits (per currency and for Total), Value at Risk (VaR) limit and stop-loss limits (daily, quarterly, and annual). The limits are monitored at OTP Bank Romania level and throughout OTP Bank Group using the Kondor+ and Market Risk Portal systems.

The VaR measure estimates the potential loss over a given holding period for a specified confidence level. The Bank uses a historical VaR approach, which allows to easily aggregate risk factors and trading desk VaR figures.

4.11 Interest Rate Risk

Interest rate risk is the risk of registering losses or not accomplishing the estimated profits due to interest rates fluctuations on the market. The management of this risk concerns the balance and extra balance sheet items that are sensitive to changes of the interest rates. The Bank manages the interest rate risk in the Banking Book separately from the interest rate risk in the Trading Book.

- **Interest Rate Risk in the trading portfolio**

In order to manage the interest rate risk in the Trading Book, the following limits are established: bond position limit, Value at Risk (VaR) limit, Basis Point Value limits, stop-loss limits (monthly, quarterly, annual) and liquidity limits. The limits are monitored at OTP Bank Romania level and throughout OTP Bank Group using the Kondor+ and Market Risk Portal systems.

- **Interest Rate Risk outside the trading portfolio**

The main sources of interest rate risk in the Banking Book are given by the imperfect correlation between the maturity date of cash-flows (for assets and liabilities bearing fixed interest rates) or modification date (re-pricing) interest (in case of assets and liabilities bearing variable interest rates), the adverse evolution of rate yield curve (the unparalleled evolution of interest rates return on assets and interest bearing liabilities) and/ or imperfect correlation between changes of the interest rates for funds raised and placed on instruments with similar characteristics of interest rate re-pricing.

OTP BANK ROMANIA S.A. manages exposure to interest rate risk on Banking Book with the view of limiting the potential losses due to adverse movements of the interest rates, so these potential losses cannot jeopardize the Bank's profitability, own capital and safe operation.
For the purpose of measuring and managing this risk, the Bank uses the re-pricing gap analysis, the modified duration indicator analysis, the sensitivity, extreme market scenarios, observing the possible effects of the changes in interest rates on Bank profits and economic value.

For reporting purposes, the Bank uses the contractual maturity and cash flows for assets and liabilities that are sensitive to interest rate – adjusted for optionality risk (early prepayment/ withdrawal of loans/ deposits), as well as working hypotheses for items that do not have clearly specified contractual maturity. . The Bank grants loans mainly with variable interest rate indexed by a reference public rate (benchmark ex.: Euribor, Robor) and aims to harmonize as possible the financing structure with the structure of assets so that to maintain a low interest rate risk exposure of the Bank. Most of fixed rate loans are RON consumer loans and a lower amount of RON mortgage loans with fixed interest rate for the first 5 years.

The average maturity of customer resources remained at a level where the Bank considers that is appropriate with the current structure of the balance sheet.

Interest rate risk exposure had a constant evolution in the last year and the bank has stayed within the mediu-low assumed risk profile level this entire period

RONEQ mio	EVE		NII
Year	Q2 2022		
Parallel up	(159.8)		-19.1
Parallel down	65.1		19.1
Steepener	(141.9)		
Flattener	65.3		
Short rate up	(34.8)		
Short rate down	10.2		
Maximum	159.8	0	19.1
Year	Q2 2022		
Tier 1 Capital	2,162		

To assess the risk of interest, rate the Bank uses sensitivity indicators that measure the potential impact in economic value of the balance due to the parallel variation to 100 bps and to 200 bps of interests.

To evaluate the vulnerability of the Bank to losses in case of adverse fluctuation of the interest rates, the Bank makes stress tests that show the impact of interest rates shocks in the economic value of the Bank.

At June 30, 2022, Bank performed stress tests applying different shocks for the modification of the market interest rates by 250 bps, 300 bps and according to the 6 mandated EBA scenarios. The decline of the economic value in all scenarios mentioned above registered comfortable levels within the monitored limits established through internal and NBR regulations.

The interest rate risk for those activities outside the trading portfolio is determined on a monthly basis by the Asset & Liability Management Department within Capital and Assets & Liabilities Management Directorate. The risk exposure (risk profile included), compliance with the internal and NBR limits is presented monthly to the Asset & Liability Committee and periodically to the Management and Supervisory Board.

OTP Leasing has a simple interest rate risk structure. Most loan, as well as funding received, are of floating rate type with 3 months repricing period. Fixed rate loans are hedged for interest rate risk using fixed rate funding.
Interest rate risk is measured by OTP Leasing using the same method as the bank. The exposure is also monitored at consolidated level. Given the size and profile of OTP Leasing's interest risk profile the effect at consolidated level is not significant.

Loans on OTP Factoring book are only non-performing loans.

4.12 Management of the Liquidity Risk and disclosure requirements for Liquidity Risk in accordance with article 435 of Regulation (EU) No 575/2013

- **Strategies and processes in the management of the liquidity risk**

OTP BANK ROMANIA S.A. aims to maintain a constant comfortable liquidity in both normal and crisis conditions, taking also into account the issue of the cost of obtaining this liquidity.

- **Structure and organization of the liquidity risk management function**

The management of the liquidity risk function is provided by the Asset & Liability Management Department within Capital and Assets & Liabilities Management Directorate Monitoring the tools for the management of the liquidity risk to which the Bank is exposed, the values of the indicators and setting them into limits are monthly reported to the ALCO and periodically to the Risk Management Committee, the Management Board and Supervisory Board of the Bank.
Close monitoring and prudent management of liquidity are permanently supervised by the Asset & Liabilities Committee and at the Group level.

- **Scope and nature of liquidity risk reporting and measurement systems**

Based on the Liquidity Strategy and Policy on liquidity risk management, constantly improved and updated in accordance with prudential regulatory requirements of the domestic market and also of the group, OTP BANK ROMANIA S.A. has developed and uses an internal system for identification, measurement, monitoring and control of the liquidity risk, based on several levels:

- ***Current management of liquidity*** – developing the current activity in normal condition. Ensure the fulfillment of financial obligation anticipated and unexpected by maintaining the balance between incoming and outgoing cash. Determining the daily cash flow and operative liquidity to cover liquidity needs on 3 months horizon are the basic used tools. In the case of operative liquidity, prudential, is included a possible shock applied to attracted resources, determined by statistical methods.
- ***Structural liquidity management*** - aims to ensure proper liquidity on medium and long term in order to avoid any pressure on current and future sources of liquidity.
- ***Liquidity management in crisis situations*** - the pursuit of activity on individual crisis conditions (idiosyncratic scenario), in conditions of a general crisis, when the entire liquidity of the Banking system is affected, and also for another more complicated situation including both an individual and generally system crisis. The Bank follows to ensure enough liquidity reserve so it allows fulfilling its financial obligations in stress situations on an acceptable time horizon, without being forced to modify significantly its strategy or business model.

OTP BANK ROMANIA S.A. manages the liquidity risk having in view: the dimensioning of the short-term cash-flow and operative liquidity, the daily established structure of the Bank's balance sheet, the daily evolution of customer resources, the liquidity GAP – on main currencies and also for the total, the level and structure of the liquid assets portfolio (including those unencumbered by tasks), liquidity indicators and having early warning limits internally established, the assessment of the risk in crisis conditions based on the stress testing.

Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigates

The bank's funding structure is comprised of a significant part of Group funding (around 30% of total liabilities at 30th of June 2022). In the management of liquidity OBR assumes that maturing Group funding can be rolled over and that new Group funding can be accessed according to approved budgets or to meet any liquidity need during the normal course of business.
For liquidity contingency planning, supplementary to the bank's own on balance sheet liquidity, stand-by lines from the OTP Group are considered as available liquidity.

Other than Group funding there is no other concentration of funding on other funding providers.

The bank monitors the level of available liquidity and Group Stand-by facilities compared to various crisis scenarios and takes appropriate actions (increasing funding including thru use of new Group funding, increasing liquid assets) based on the results, on the bank's budget and the bank's strategy.

Declaration on the adequacy of liquidity risk management arrangements of the institution
The bank considers that the liquidity management process to be adequate about the bank's liquidity risk profile and strategy and in the context of the Group's liquidity policy. Group liquidity can be used to support the bank's strategy.

Liquidity risk statement describing the overall liquidity risk profile associated with the business strategy.
The liquidity risk profile of the bank is comprised of a set of indicators considered relevant to the bank's liquidity position and funding structure: standard regulatory indicators (LCR, immediate liquidity); balance sheet ratios (loans/deposits, liquid assets/potential liabilities outflows in the next 12 months), measures of Group Funding dependency, internal liquidity indicators and liquidity crises simulation results.

Liquidity risk profile of the Bank has remained constant over the course of 2022, registering a medium-low level (assumed risk appetite of the Bank for 2022) level and fits within the limits set by national regulatory framework as well within the bank's risk tolerance of medium-high.

As part of the Basel 3 rules, the Basel Committee on Banking Supervision has proposed minimum two standard bank liquidity ratios:

- **The Liquidity Coverage Ratio (LCR):**

  The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 days stress scenario. The ratio is defined as the amount of High Quality Liquid Assets ("HQLA") that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

  This requirement has been implemented into European law, via the Commission Delegated Regulation (EU) 2015/61, adopted in October 2014. Compliance with the LCR was required from October 1, 2015.

  The final EBA guidelines on LCR disclosure released on the March 8, 2017 (EBA/GL/2017/01) requires us to disclose the average of month-end observations over twelve months preceding the end of each quarter.

  Average LCR (twelve months average) has been calculated in accordance with the Commission Delegated Regulation (EU) 2015/61 and the EBA Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 CRR.

  Concentration of funding and liquidity sources:
  The only concentration of funding is related to Group Funding obtained to various Group entities (30% of total liabilities). The bank considers that maturing Group funding can be rolled over at any time.

  Derivative exposures and potential collateral calls
  Most liquidity outflows on derivatives are counterbalanced by similar liquidity-related inflows of derivatives.

  Coin mismatch at LCR level
  The LCR is calculated in all major currencies representing at least 5% of the bank's debt (RON, EUR, occasionally HUF and total cumulative in RON equivalent). During the year 2022, bank pursued a minimum of 100% for all significant currencies.

  Approach to centralized group liquidity management and individual legal entity liquidity management:
  The OTP Group manages liquidity in a centralized manner, using a liquidity pooling concept, and preparing at Group level for liquidity contingency situations at subsidiary level. OTP Leasing Romania Funding is also covered by other entities in the OTP Group.

		Q2 2022		Q1 2022		Q4 2021		Q3 2021	
Scope of consolidation : solo		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
Currency and units (RON million)									
Quarter ending on (DD Month YYY)		31-12-2021	31-12-2021	30-09-2021	30-09-2021	30-06-2021	30-06-2021	31-03-2021	31-03-2021
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)		2,997		2,917		2,790		2,601
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,632	289	3,500	277	3,317	258	3,081	237
3	*Stable deposits*	2,312	116	2,242	112	2,166	108	2 048	102
4	*Less stable deposits*	1,320	173	1,258	165	1,151	150	1,032	135
5	Unsecured wholesale funding	5,434	2,858	5,314	2,701	5,166	2,608	4,818	2,455
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	5,434	2 858	5 314	2,701	5,166	2 608	4,818	2 455
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding		-		-		-		-
10	Additional requirements	586	74	594	75	606	77	580	73
11	*Outflows related to derivative exposures and other collateral requirements*	13	13	11	11	10	10	9	9
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	573	61	583	64	596	67	570	64
14	Other contractual funding obligations	131	105	81	57	102	78	135	112
15	Other contingent funding obligations	1 848	92	1,735	87	1,663	83	1,651	83
16	TOTAL CASH OUTFLOWS		3,418		3,197		3,105		2,959
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	688	688	678	678	751	751	700	700
18	Inflows from fully performing exposures	775	689	709	619	686	591	740	646
19	Other cash inflows	20	9	18	7	17	6	17	6
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-		-		-		-
EU-19b	(Excess inflows from a related specialised credit institution)		-		-		-		-
20	TOTAL CASH INFLOWS	1,483	1,386	1,405	1,304	1,454	1,347	1,457	1,352
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows Subject to 90% Cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows Subject to 75% Cap*	1,483	1,386	1,405	1,304	1,454	1,347	1,457	1,352
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	LIQUIDITY BUFFER		2,997		2,917		2,790		2,601
22	TOTAL NET CASH OUTFLOWS		2,009		1,871		1,705		1,573
23	LIQUIDITY COVERAGE RATIO (%)		151%		159%		170%		172%

OTP Leasing has a low level of liquidity risk. The entire funding need is covered by Group entities. Short-term needs are covered from available funds or existing revolving facilities. Once the utilization level of the facilities increases, it is converted into medium/long term funding. OTP Leasing monitors liquidity risk at standalone level using a liquidity gap analysis including a 6 month projection of business needs in order to allow timely undertaking of new funding.
OTP Factoring currently does not have any funding received . In case of new funding needs for new non-performing loans acquisitions, those are provided by new medium/long term funding.

With no client funding the impact of OTP Leasing and OTP Factoring on the consolidated liquidity risk is not significant.

		Q2 2022		Q1 2022		Q4 2021		Q3 2021	
Scope of consolidation : consolidated		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
Currency and units (RON million)									
Quarter ending on (DD Month YYY)		31-12-2021	31-12-2021	30-09-2021	30-09-2021	30-06-2021	30-06-2021	31-03-2021	31-03-2021
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)		2,997		2,917		2,790		2,534
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,632	289	3,500	277	3,317	258	3,147	243
3	*Stable deposits*	2,312	116	2,242	112	2,166	108	2,080	104
4	*Less stable deposits*	1,320	173	1,258	165	1,151	150	1,067	139
5	Unsecured wholesale funding	5,375	2,820	5,267	2,671	5,131	2,584	4,868	2,462
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	5,375	2,820	5,267	2,671	5,131	2,584	4,868	2,462
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding		-		-		-		-
10	Additional requirements	611	76	615	77	624	79	619	79
11	*Outflows related to derivative exposures and other collateral requirements*	13	13	11	11	10	10	10	10
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	598	63	604	67	614	69	609	69
14	Other contractual funding obligations	145	105	95	57	115	78	123	87
15	Other contingent funding obligations	1,838	92	1,725	86	1,653	83	1,608	80
16	**TOTAL CASH OUTFLOWS**		3,382		3,169		3,083		2 951
17	Secured lending (eg reverse repos)	688	688	678	678	751	751	771	771
18	Inflows from fully performing exposures	803	704	726	629	693	594	738	642
19	Other cash inflows	20	9	18	7	17	6	17	6
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-		-		-		-
EU-19b	(Excess inflows from a related specialised credit institution)		-		-		-		-
20	**TOTAL CASH INFLOWS**	1,510	1,401	1,422	1,314	1,461	1,351	1,525	1,418
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows Subject to 90% Cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows Subject to 75% Cap*	1,510	1,401	1,422	1,314	1,461	1,351	1,525	1,418
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	LIQUIDITY BUFFER		2,997		2,917		2,790		2,534
22	TOTAL NET CASH OUTFLOWS		1,962		1,832		1,679		1,477
23	LIQUIDITY COVERAGE RATIO (%)		155%		162%		173%		178%

- ### The Net Stable Funding Ratio (NSFR):

Regulation (EU) 2019/876 has introduced a minimum Net Stable Funding Ratio (NSFR) of 100 % that requires banks to maintain a stable funding profile in relation to their on and off balance sheet exposures. The NSFR is calculated as the ratio of available stable funding (ASF) divided by required stable funding (RSF) and became applicable for the June 30, 2021 reporting.
All liabilities and capital instruments are assigned an ASF weight, while assets and certain off balance sheet positions receive an RSF weight. For example, liabilities with residual maturity above one year and retail deposits receive a high ASF weight. In contrast, short-term liabilities, in particular from financial customers, receive a low ASF weight. On establishing the RSF weights, aside from residual maturity, the quality of the assets as well as their encumbrance plays a key role. High quality liquid assets and short-term securities financing transactions receive low RSF weights, while long-term loans and assets encumbered for more than one year receive a high RSF weight.

For 30.06.2022 the bank's NSFR ratio was comfortable above the regulated minimum, on both individual and consolidated level:

Template EU LIQ2: Net Stable Funding Ratio
In accordance with Article 451a(3) CRR

	Individual Level	a	b	c	d	e
	(RON million)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	2,162	-	-	-	**2,162**
2	*Own funds*	2,162	-	-	-	2,162
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		5,645	726	6	**5,953**
5	*Stable deposits*		3,742	522	5	4,056
6	*Less stable deposits*		1,903	204	0	1,897
7	Wholesale funding:		6,500	-	4,150	**6,082**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		6,500	-	4,150	6,082
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	14	**337**	27	**114**	127
12	*NSFR derivative liabilities*	14				
13	*All other liabilities and capital instruments not included in the above categories*		337	27	114	127
14	**Total available stable funding (ASF)**					14,324
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		**2,413**	**1,242**	**10,370**	**9,361**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		688	26	43	125
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,496	1,046	5,126	5,244
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		21	17	430	299
22	*Performing residential mortgages, of which:*		229	169	5,200	3,992
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		149	133	4,629	3,150
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		0	0	0	0
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**336**	**326**	**1289**	**904**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				0	0
29	*NSFR derivative assets*				7	7
30	*NSFR derivative liabilities before deduction of variation margin posted*				16	1
31	*All other assets not included in the above categories*		313	23	673	896
32	Off-balance sheet items		**247**	**303**	616	**73**
33	**Total RSF**					**10,337**
34	**Net Stable Funding Ratio (%)**					138.57%

Template EU LIQ2: Net Stable Funding Ratio

In accordance with Article 451a(3) CRR

Consolidated Level		a	b	c	d	e
(RON million)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**2,210**	**-**	**-**	**-**	**2,210**
2	*Own funds*	2,210	-	-	-	2,210
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**5,645**	**726**	**6**	**5,953**
5	*Stable deposits*		3,742	522	5	4,056
6	*Less stable deposits*		1,903	204	0	1,897
7	Wholesale funding:		**6,511**	**79**	**4,709**	**6,656**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		6,511	79	4,709	6,656
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**14**	**366**	**27**	**114**	**127**
12	*NSFR derivative liabilities*	14				
13	*All other liabilities and capital instruments not included in the above categories*		366	27	114	127
14	**Total available stable funding (ASF)**					**14,946**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		**2,576**	**1,327**	**10,854**	**9,896**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		689	26	43	125
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,658	1,131	5,611	5,779
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		21	17	430	299
22	*Performing residential mortgages, of which:*		229	169	5,200	3,992
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		149	133	4,629	3,150
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		0	0	0	0
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**381**	**326**	**1278**	**915**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				0	0
29	*NSFR derivative assets*				7	7
30	*NSFR derivative liabilities before deduction of variation margin posted*				16	1
31	*All other assets not included in the above categories*		359	23	662	907
32	Off-balance sheet items		**286**	**303**	**616**	**75**
33	**Total RSF**					**10,886**
34	**Net Stable Funding Ratio (%)**					**137.29%**

4.13 Operational Risk Management

The operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

Objectives

The following objectives are pursued for an appropriate management of the operational risk:

- to avoid the unexpected operational losses, with high consequences for the activity;
- to avoid recording a large number of operational losses generating events, with low consequence on the activity of the organizational unit and a high probability of occurrence;
- to improve the efficiency within the operational risk management process;
- to increase customer service quality;
- enhanced attention for the operational risk within the risk management activity framework;
- efficient management of information and human resources within the Bank;
- to improve the system for reporting and monitoring the losses caused by the operational risk.

Strategy

The operational risk strategy main objective is to develop an appropriate operational risk control environment and create operational risk awareness in order to minimize the risks occurred due to systems and processes malfunction, human errors, as well as due to external factors.

The Bank's mid-term strategy for operational risk management is based on:

- increased focus on defining risk mitigating measures and execution monitoring of such, the improvement of the control environment by way of closer cooperation with partner areas engaged in risk management and control but also by assessing exposure to operational risk based on losses history record and permanently updating the database on operational risk loss generating events, reported by all organizational units;
- assessing activities and processes, products and systems by preparing the annual self-assessment for the activities and processes carried out within all organizational units, in order to report the risks already identified during the performance of the activity or the potential risks and to identify the control measures/action plans to mitigate or eliminate risk occurrence;
- enhancing the Key Risk Indicators set for specific banking processes or for the organization as a whole, inclusively by using group-level indicators and monitoring their values and evolution, in order to have an insight into operational risk developments and allow for intervention into the processes if necessary;
- establishing an improved business continuity methodology and running periodical testing for such;
- developing / enhancing the conduct risk / model risk / ITC risk management framework;
- developing the operational risk management culture at the bank level, as an integral part of the risk culture and their management, by holding regular training sessions on operational risk topics.

Short-term objectives for operational risk management:

- Maintaining a high quality (complete, correct and accurate) operational risk losses database by permanently monitoring the operational risk events and updating accordingly within the dedicated IT system;
- mitigating the potential impact of future operational risk exposures by calculating and recording provisions for operational risk, taking into consideration the losses history;
- monitoring the evolution of abusive clauses litigations and calculating and recording litigations provisions based on the losses history and the probability of loss associated to the litigations ongoing;
- operational risk monitoring through monthly and quarterly reports regarding the operational risk events identified within the bank and their evolution, monthly and quarterly reports regarding the evolution of key risk indicators, quarterly reports on the measures taken by the bank to return key critical risk indicators to a normal level, monitoring of the operational risk and associated risks profile, yearly reports regarding the risks identified following the risk self-assessment, yearly reports regarding the results of the crisis scenarios analysis.

Management of the operational risk within the Bank is based on the responsibility of all Head Quarters organizational units and territorial units, as well as the companies in the consolidation perimeter (OTP Leasing Romania IFN S.A. and OTP Factoring SRL) to identify, monitor and report any operational risk event.

For a permanent assessment of the exposure to operational risk, OTP BANK ROMANIA S.A. has the following approaches:

- identification of the exposures towards the operational risk and monitoring of information and relevant data related to the operational risk including those of significant operational losses;
- Integration of operational risk management system into the risk management processes existing at OTP Group level. The results of operational risk management will be an integrant part of the monitoring and control of the Bank's operational risk profile;
- Development of internal reporting system, that provides monthly reports related to the operational risk to the management structures and management persons within the Bank.

The regulatory capital requirement for operational risk is determined in accordance with Regulation no. 575/2013 of the European Parliament and of the Council of the European Union on prudential requirements for credit institutions and investment firms.

The Bank determines the regulatory capital requirement to cover operational risk in line with the Basic Indicator Approach (BIA).

OTP Bank Romania S.A. targets a medium risk profile for its exposure to operational risk.

In addition to the qualitative risk appetite limit, the Bank has established quantitative risk limits based on the data collected during the operational risk management process for pre-defined risk categories.

4.14 Reputational Risk Management

In order to avoid losses or to fail in achieving the estimated profits, due to the lack of trust of the clients or the potential clients in the Bank, we grant a special attention to the perception they have in the image of OTP BANK ROMANIA S.A.

Objectives

The objectives of reputational risk management are:

- to avoid the direct or indirect impact on the bank's reputation or potential financial losses generated by reputational risks events (including the failure to achieve the estimated income objectives);
- the improvement of the Bank's image by providing high-quality products and services;
- to avoid the reveal of secret or confidential information or the use of such information by the Bank's employees in order to obtain personal benefits or for any other purpose with consequences to the detriment of the Bank or the bank's clients.

Strategy

The Bank's strategy regarding reputational risk management includes:

- continuous improvement of the bank's reputation by focusing on consistently supplying high-quality products and customer services and on a positive image and communication (at both internal and external level);
- ensuring the implementation of appropriate internal regulations and processes in order to allow the identification, management and monitoring of the reputational risk, taking into consideration the dimension and complexity of the bank's activities;
- effective management of customers' requests and complaints and establishing appropriate, effective corrective actions in order to improve the quality of the products and services provided by the Bank;
- focus on improving the customers' loyalty process by providing correct and complete information in a timely manner regarding new products and services, the changes of the existing products and services, or any other aspects that may influence the customers' banking activity;
- focus on recruitment and retention of the best specialists and continuous training of sales personnel in all aspects regarding the Bank's products and services, in order to be able to provide to clients all the necessary information to make informed and correct decisions, according to their needs;
- applying appropriate "Know Your Customer" measures according to internal regulations in order to ensure the quality of the bank's customers portfolio and to avoid the initiation of business relationships with clients having a fraudulent history or who were involved in any other activities with high ML/FT risk associated;
- ensuring a prudent approach regarding reputational risk management by preparing and implementing appropriate business continuity plans and communication plans in case of crisis or emergency situations;

- implementing the appropriate measures in order to ensure data protection and IT systems security against any threats of unauthorized access;
- using scenarios for monitoring the reputational risk in crisis conditions and also in association with other related types of risk (e.g. liquidity risk, operational risk), in order to identify the potential impact on the bank's reputation and the applicable measures in such situations;
- calculating capital reserves for reputational risk in order to protect the bank in case of future crisis.

OTP Bank Romania S.A. targets a medium-low level of the reputational risk exposure.

4.15 Outsourced activities related Risk

The outsourcing of activities is performed according to the bank's internal regulations and following an analysis with the objective to identify and asses the related risk level, the main risks monitored being the reputational risk, operational risk, including legal risk, compliance risk, the risk related to information technology, strategic risk, exit risk, respectively the concentration risk and subcontracting risk.

Objectives
The Bank's objectives related to the management of outsourced activities related risk include:
- preventing the direct or indirect harm of Bank's reputation as a result of transferring certain activities to external suppliers of goods and services which lack the necessary qualification to perform the outsourced activities;
- following the outsourcing, it should be ensured at least the same quality level for the performed activity as previously, when the activity was performed by the Bank;
- ensuring the protection of confidential information, processing this information and keeping banking secrecy by the external provider;
- eliminating/ transferring certain outsourced activity related risks to the supplier.

Strategy
The Bank's strategy regarding the management of outsourced activities related risk involves issuing specific internal regulations for the monitoring of these risks, keeping track of the following aspects:
- making decisions regarding the outsourcing of new activities or modifying the existing ones
- selecting and assessing the external supplier of goods and services related to aspects such as: solvency, reputation, working experience with credit institutions' sector, the quality of the services performed, the organization of the activity and internal control, the existence of competent personnel, the existence of an alternative plan for activity recovery, ensuring the confidentiality of the information, especially in case of the information related to electronic payment instruments
- monitoring how the external supplier of goods and services develop the outsourced activities
- issuing alternative plans and estimating the necessary costs and resources for changing the external supplier of goods and services;
- the Bank does not target the outsourcing of activities which involve a high degree of risk.

OTP Bank Romania targets a medium-low level of the outsourcing related risk exposure.

4.16 Compliance Risk Management (General Compliance and KYC & AML/CFT)

The compliance risk represents the current or future risk of impairment of profits, own funds and liquidity, which may lead to significant financial losses or damage to Bank's reputation as a result of breaching or noncompliance with the legal and regulatory framework regulation, agreements, recommended practices or ethical standards.

The compliance risk includes risks related to the general compliance framework and associated activities, as well as risks related to know-your-customer process, money laundering prevention and terrorism financing prevention activities.
Consequently, compliance risk has as components the general compliance risk (including personal data protection - GDPR - and investment services) and KYC & AML / CFT risk.
The general compliance risk materializes in sanctions (financial and / or non-financial) imposed by supervisory and control authorities following specific actions for non-compliance with the requirements of the applicable legal and regulatory framework.

The objective of the general compliance risk strategy (general compliance risk) is to maintain this type of risk at the level established and agreed by the Bank according to the appetite and risk tolerance set up in "Risk Strategy of OTP Bank Romania S.A." and it includes the following general/main actions:

- Periodic revision of the internal regulations in order to align them to legal and regulatory framework and monitoring the implementation status for the new legal provisions applicable to the financial-banking sector;
- Monitoring the national and European legal regulation framework in order to identify the trends and those banking sector regulations having an impact on the compliance risk;
- Identification and assessment of the non-compliance risks associated to the Bank's business processes, including those related to the development of new products, services and practices;
- Establishing corrective measures following the deficiencies identified during the control missions of the supervisory authority and/or the internal/external auditors (including from the Group related to general compliance aspects), respectively the monitoring of their timely implementation;
- assessing the effectiveness of the corrective measures taken within the Bank following control actions performed by authorities;
- monitoring of the timely transmission of reports to authorities by all the organizational units within the Bank, according to the legal and regulation requirements;
- monitoring Authorities controls respectively of the sanctions imposed by the Authorities on the Bank as sources of potential materialization of the compliance risk (both general compliance and KYC & AML/CFT);
- coordination of the network of Compliance Messengers[5] - OTPH concept, implemented from May 2021 - set up with the main purpose of identification and operational communication of potential general compliance risks (excluding KYC & AM/CFT area) at the level of the entities coordinated by the Compliance Messengers;
- Developing the compliance culture within the Bank as an integrated part of risk culture and their management, by providing training sessions on general compliance issues.

OTP Bank Romania targets a medium-low level of the general compliance risk exposure (risk appetite).

The objective of the KYC & AML/CFT compliance risk strategy is to maintain this type of risk at the level established and agreed by the Bank and it includes the following general/main actions:

- Periodic revision of the provisions regarding know-your-customer activity and of other policies and procedures in order to avoid business relationships with clients with fraudulent history or who were involved in terrorism acts, money laundering, major payment incidents, bad debtors and/or customers involved in producing or selling of prohibited substances and/or illegal activities (illegal production/marketing of drugs, weapons and ammunition);
- Complete and correct transmission of the KYC & AML/CFT related reports to ONPCSB (AML National Authority) and other authorities, according to the legal provisions in force;
- Submission of the information requested by AML/CFT competent authorities;
- Monitoring the update of the internal databases according to the lists issued by international organizations and the resolutions regarding international interdictions and sanctions in order to comply with the legal requirements and to prevent potential risks (sanctions);
- Monitoring the implementation of the KYC & AML/CFT related corrective measures included within the action plans issued by KYC/AML/CFT Department;
- Verification of the Bank's customers' transactions for which information were requested by authorities, in order to prepare the suspicious transactions reports;
- Developing the compliance culture within the Bank as an integrated part of risk culture and their management, by providing training sessions on KYC & AML/CFT issues.

In terms of exposure to risks related to know your customer, prevention of money laundering and terrorist financing activities, the level of the indicator for the first semester of 2022 was medium, in line with the provision of 2022 OTP Bank Romania S.A. Risk Strategy.

[5] heads of department from Headquarter entities and branch/agency managers (according to the applicable internal regulation, transposing the OTPH regulation)

4.17 Management of the Strategic Risk

Strategic risks are risks that affect or are created by the Bank's business strategy and strategic objectives. They arise from the Bank's inability to implement appropriate business plans, strategies, decisions, resource allocation and its inability to adapt to changes in its business environment. This risk is therefore a function of:

- the Bank's strategic goals;
- the business strategies developed to achieve the goals;
- the resources deployed in pursuit of these goals and the quality of implementation;
- the resources needed to carry out business strategies.

- **Strategic planning process**

OTP Bank Romania S.A. aims to put in place strategic plan(s) supported by realistic budget(s). Any strategic plan clarifies the Bank's overall purpose, defines goals and priorities and determines practical approaches for achieving them.
If the strategic planning process is not appropriate or if the assumptions are not realistic, the strategic plan will be flawed thereby exposing the Bank to the strategic risk.
In this regard, OTP Bank Romania S.A. aims to have an appropriate strategic planning process, encompassing the following:

- support or participation of the board, delegated committees, and senior management;
- participation of staff from various departments;
- adequacy of information in developing assumptions in relation to economic factors, position of the Bank compared to competitors, current competitive position, future market trends and customer needs;
- consistency of the operational plans with the overall objective of the Bank;
- assessment of actual performance against strategic plans.

- **Assessment of the occurrence of the strategic risk**

In order to assess the occurrence of the strategic risk, the Bank carried backward looking analysis on its strategic objectives from past years (3 years) and compares them with actual figures / ratios or other soft facts, non-quantifiable, for example:

- market penetration;
- product development;
- enhancement of certain qualities / attributes of the Bank's product portfolio;
- segmentation of customers or of products;
- deployment of Group of local initiatives etc.

- **Capital requirements for strategic risk for OTP Bank România (individual and consolidated level)**

One of the most important outcomes of a successful strategy, that reaches its goals, is to generate profit. The lack of profit or losses requires additional funds, usually from shareholders, in order to ensure the capital adequacy of the Bank, therefore, the occurrence of strategic risk could lead to capital requirements.
In order to determine the capital requirement for strategic risk the Bank uses the underachievement of budgeted profits, on a country consolidated base according to Group definition. Although capital adequacy is monitored on a separate basis, for the stand-alone Bank, from an economic perspective, the Group consolidated approach is more sensible, as it is the view of the whole Group and thus that of the Bank itself (OBR Group, including the leasing and the factoring subsidiaries).

In the actual vs. plan analysis special events that occurred due to market opportunities and that could not have been foreseen will not be taken into consideration (CHF conversion, gain from Millennium acquisition).
The Bank examines the fulfillment of the plan on a quarterly basis for the last 3 years.

For each quarter between Q3 2019 and Q2 2022 a comparison actual vs. plan is made for profit before tax. A weight is distributed for each period (the more recent periods receive a higher rate as it is more relevant and the older periods receive lower weights). The gap between actual and plan (in mil RON) are weighted for each quarter.

On individual level, the gaps for the analyzed period, (T3 2019- T2 2022) are added up to **+164 million RON**.

For the calculation of the capital requirement for strategic risk for OTP Leasing (the subsidiary included in local consolidation), the actual differences versus budget for the last 3 years were analyzed. The calculation method is used to calculate the Bank's capital requirement. The gap calculated for the analyzed period (T3 2019- T2 2022) is +12 **million** RON.

The capital required for strategic risk is calculated as the negative amount of the current difference versus the plan, so it only occurs if the realization was below the plan.

The positive result of the gaps for the analyzed period, (T3 2019- T2 2022) are added up to **+177 million RON**, on a country consolidated level (OBR Group, including the leasing and the factoring subsidiaries), **means that for the period under review the realization exceeded the plan, highlighting the lack of the capital requirement for the individual and consolidated strategic risk.**

- **Risk categories**

In order to determine the risk category that the calculated strategic risk falls in (low, medium, high) the capital requirement is calculated as a share out of own funds, the result will be categorized in the following risk categories accordingly:

- <5% - low risk
- 5%-10% - medium risk
- >10% - high risk

Calculation of capital requirement for strategic risk, exemplified for T2 2022 for OTP Bank Romania S.A.

Since the capital requirement for strategic risk in T2 2022 at the consolidated level is null, the strategic risk is low.

4.18 Management of the ESG risk

Currently, the Bank manages ESG risks by considering it enhancement factors of the traditional categories of financial risks (credit risk, market risk, operational and reputational risks, liquidity and financing risks).

In the credit risk management area, ESG risk is assessed at the initiation of exposures to corporate clients and over the life of the exposure according to the provisions of the L.428-Procedure for determining the ESG risk category and leverage transactions within OTP Bank Romania S.A.

Economic activities whose nature and impact are incompatible with the values set at the level of the OTP Group in terms of providing responsible financial services and promoting sustainable development will be excluded from financing on the basis of a defined list.

The sectoral concentration limits set in the bank's lending policy are another tool for managing ESG risks that can materialize through credit risk.

In the area of operational risk management, the ESG risks are addressed by:

- Marking of the losses related to ESG risks in the Bank's Operational Losses Database;
- Evaluation of losses with high impact and reduced frequency driven by ESG risks within the scenarios analysis;
- Identification of the operational risks related to ESG risks during the yearly risk self-assessment exercise.

Also, the impact of physical risks on the bank's operations in general, including the ability to quickly recover its capacity to continue to provide services, is assessed in the business impact analysis (BIA) and managed through the business continuity plan (BCP).

OTP Bank Romania's mid-term objective is to develop a comprehensive ESG risk management framework able to ensure alignment with the definitions and requirements of EBA and ECB, local integration the parent bank's strategy for green financing and ESG risk management and increased understanding and capability to quantify ESG risks in order to set limits (at the level of business line, economic sector or product) that adequately reflect the appetite for ESG risks.

4.19 Management of the external risks of the credit institution

Macroeconomic crisis simulations are a forward-looking exercise whose purpose is to estimate incomes, potential losses and capital requirements under two crisis scenarios (two macroeconomic - one being more severe than the other, one internal and one combined).

Thus, in 2021, macroeconomic crisis simulations were conducted over a three-year horizon (2021-2023), **and available capital is sufficient to cover the capital requirement**, taking into account the minimum solvency ratio (SREP) at individual level.
It should be emphasized that these capital requirements are determined before applying any measures to supplement the own funds or reduce the risks to which the Bank is exposed.
In the event of any unfavorable scenario, the Bank will take preventive risk mitigation measures (risk-weighted assets and other risk mitigation techniques) as well as additional capital measures.

However, in addition to raising capital, the Bank will look into if a more drastic scenario can become real, all possible ways of raising own funds and reducing additional provisions (one way would be to shut down unused facilities to reduce additional capital including, if possible, analyzing the possibility to sell the collateral covering the related exposures, the sale of fixed assets of the Bank that have no direct impact on the Bank's business development).
Macroeconomic crisis scenarios include values of the macroeconomic indicators that have the most impact on the profitability of OTP BANK ROMANIA S.A., such as EUR / RON exchange rate, LIBOR CHF, ROBOR, unemployment rate and others.
The steps taken to estimate the implications for OTP BANK ROMANIA S.A. in the crisis simulations are the following:

- identification of risk factors;
- generation of macroeconomic scenarios;
- estimating the evolution of non-performing loans;
- estimating the cost of risk, provisions and risk weighting factors;
- assessing the impact on profitability and on the adequacy of capital.

The results of the crisis simulations are reported to the Risk Management Committee that analyzes and approves these results. Follow-up to the discussions in this Committee:

- inform the Bank's Board of Directors of the results of the macroeconomic crisis simulation;
- it may decide to inform the Assets and Liabilities Committee, which, according to its attributions, may propose remedies to be approved by the Bank's Directorate

5. Encumbered and unencumbered assets

The situation of the assets and unencumbered by the tasks is presented as follows:

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution			**19,780,215**	**3,521,970**
Equity instruments			13,645	13,645
Debt securities			3,527,781	3,508,325
Other assets			16,238,789	-

At 30.06.2022 the Bank did not have any encumbered assets

Anexa1

IFRS 9-FL Form: Comparison of own funds, capital ratios and leverage of institutions, depending on the application or non-application of the transitional measures on IFRS 9 or ECLs analogous

		a	b	c	d	e
		30-06-2021	31-03-2021	31-03-2020	31-12-2019	30-09-2019
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,162,136	2,161,394	2,203,359	1,995,290	1,974,429
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,020,462	2,031,416	2,028,222	1,843,888	1,837,770
3	Tier 1 capital	2,162,136	2,161,394	2,203,359	1,995,290	1,974,429
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,020,462	2,031,416	2,028,222	1,843,888	1,837,770
5	5 Total capital	2,162,136	2,161,394	2,203,359	1,995,290	1,974,429
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,020,462	2,031,416	2,028,222	1,843,888	1,837,770
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	10,797,624	10,405,634	9,905,689	9,602,889	8,913,850
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,671,888	10,289,101	9,750,255	9,468,520	8,801,126
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.02%	20.77%	22.24%	20.78%	22.15%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.93%	19.74%	20.80%	19.47%	20.88%
11	Tier 1 (as a percentage of risk exposure amount)	20.02%	20.77%	22.24%	20.78%	22.15%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.93%	19.74%	20.80%	19.47%	20.88%
13	Total capital (as a percentage of risk exposure amount)	20.02%	20.77%	22.24%	20.78%	22.15%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.93%	19.74%	20.80%	19.47%	20.88%
Leverage ratio						
15	Leverage ratio total exposure measure	21,022,823	19,715,580	19,666,731	18,658,724	16,959,089
16	Leverage ratio	10.28%	10.96%	11.20%	10.69%	11.64%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.54%	10.20%	10.24%	9.81%	10.93%

Annex 2 Risk appetite Statement of the Supervisory Board of OTP Bank Romania S.A. for first semester of 2022

Risk appetite Statement of the Supervisory Board of OTP Bank Romania S.A. for first semester of 2022

We, as the Supervisory Board of OTP Bank Romania S.A., have agreed and confirm the following regarding the risk appetite of the organization:

I. General principles:

1. This document is an integral part of the framework on risk appetite developed at the level of OTP Bank Romania S.A. (hereinafter the Bank) and defines the aggregate level and types of risk that the Bank is willing to assume within the limits of its risk capacity, according to its business model, in order to achieve its strategic objectives.
2. The risk appetite is defined both at a general level and at the level of each significant risk for the Bank on a scale of 5 points between the low level and the high level.
3. A high risk appetite is the availability to be exposed to a high probability and / or potential impact of a risk.
4. Having a high appetite for a risk does not mean that the real manifestation of the risk is desirable or the event should be overlooked once it occurs.

II. Overall risk appetite

5. The Bank shall aim to optimize its risk profile so as to achieve its business objectives with the least possible impact in terms of the risks to which it is exposed.
6. Thus, the general objective regarding the risk appetite of OTP Bank Romania S.A. is to have an overall MEDIUM risk profile obtained by aggregating the levels of significant risks.
7. From the perspective of capital adequacy to risk, it corresponds to a minimum overall capital requirement (OCR) of 18.067.72% at individual level and of 17.997.73% at consolidated level (includes the total capital requirement SREP (TSCR), a combined buffer requirement of 44.50 %[6] and a management shock absorber of 1.50%). Concerning liquidity adequacy, the objective is to register a minimum level of the liquidity coverage ratio (LCR) of 120%.
8. Risk appetite is an integral part of the Bank's business planning processes to promote the proper alignment of risk, capital and performance objectives, while taking into account risk capacity and appetite constraints in terms of financial and non-financial risks.

[6] Starting with October 2022, it will also include the capital countercyclical buffer of 0.5%, becoming 4.5%, and the target rates will change accordingly.

III. Appetite for significant risks

9. The diversity of activities carried out at the level of the institution requires the identification, measurement, administration and monitoring of risks on an ongoing basis.

10. The level of risk appetite of the Bank differs among the risks considered significant after the inventory of all risks to which the bank is exposed.

11. OTP Bank Romania S.A. has a **medium - low risk appetite** for:

(a) The risk that the recognized credit risk mitigation techniques used may prove less effective than anticipated, resulting in an overestimation of collateral or problems related to their liquidation. In this sense, a series of management, control and monitoring mechanisms have been implemented both in the process of assuming credit risk and at the level of the risk management function.

(b) The risk of losses on and off - balance sheet positions due to unfavorable market fluctuations in prices. The Bank manages the market risk exposure of the portfolio held for trading separately from that of the activities outside the trading book. The trading activity is carried out within the approved trading strategy. The trading of highly liquid instruments will be pursued.

(c) Current or future risk associated with the banking portfolio to negatively affect profits and capital as a result of adverse changes in interest rates. Interest rate risk exposure is monitored on a monthly basis by the Assets and Liabilities Management Committee (ALCO).

(d) The risk of not being able to meet its obligations at maturity and of a significant increase in the cost of financing. Liquidity is pursued under both normal and crisis conditions, taking into account the resources needed to support the budgetary objectives of business development. Through its activity, the Bank aims to minimize its exposure to liquidity risk and does not seek to make a profit by assuming a high exposure.

(e) The risk associated with the improper provision of financial services, including cases of intentional or negligent misconduct. The Bank manages the risk of conduct by promoting the Code of Ethics and implementing clear policies on the development of products and services, conflict of interest management, the regime of incentives received from third parties or granted to them regarding investment services.

(f) The risk of a loss as a result of decisions that could be based primarily on the results of internal models due to errors in the development, implementation or use of those models.

(g) Risks of loss due to breach of confidentiality, failure to ensure the integrity of systems and data, inadequacy or unavailability of systems and data or inability to change information technology in a reasonable time and at reasonable costs when environmental or business requirements change. These include security risks resulting from inadequate or failed internal processes or external events, including cyber attacks or inadequate physical security. These risks are mitigated within the IT strategy developed at the Bank's level.

(h) The risk of adversely affecting profits, own funds or liquidity as a result of damaging the credit institution's reputation. The Bank aims to continuously improve its reputation, effectively manage customer requests and complaints and establish appropriate corrective actions.

(i) The risk that may materialize in operating losses or unrealized income and subsequently in potential reputational damage to the Bank due to its current / future operations performed by third parties on its behalf. The outsourcing of some activities is carried out on the basis of specific internal regulations and only with the prior approval of the Risk Operations Committee and the Bank's Management Board.

(j) The risk of adversely affecting profits, own funds or liquidity, which may lead to significant financial losses or damage to a credit institution's reputation as a result of breaches or non-compliance with the legal and regulatory framework, agreements, practices recommended or ethical standards applicable to its activities (general compliance risk). The Bank is committed to ensuring a high level of compliance with relevant legislation, regulations, codes and standards, as well as compliance with internal policies and corporate governance principles.

(k) Risks arising from the Bank's inability to properly implement business plans, strategies, decisions, resource allocation and inability to adapt to changes in the business environment. The monitoring and reporting mechanisms developed at the Bank's level provide the premises for mitigating these risks. The fulfillment of the actions and objectives set by the business strategy of OTP Bank Romania S.A. will be pursued.

12. OTP Bank Romania S.A. has a **medium risk appetite** for:

(a) Credit risk (default of the debtor on fullfiling contractual obligations) and the risk of concentration of credit exposures. The lending activity represents the basic activity of the institution, over 90% of the debt instruments being loans and advances. At the same time, according to the business strategy, the Bank aims to reach a market share at the end of 2021 2022 of 4.392%, up ~0.34 pp compared to the previous year. It is therefore necessary to take these risks, but to an acceptable level, carefully managed through the three lines of defense of the credit risk management framework. It is also intended to build up sufficient reserves to absorb.

(b) Operational risk resulting either from the use of inadequate or improperly performed internal processes, persons or systems, or from external events, including legal risk. The Bank pays close attention to operational risk events and constantly monitors the development and improvement of the operational risk management framework.

(c) The risk posed by the impact and likelihood of the Bank's involvement in money laundering and terrorist financing activities. The Bank will implement procedures to ensure the allocation of resources to ensure compliance with regulatory requirements, including the implementation of best practice guidelines in line with European regulations, depending on the size and complexity of the Bank's operations.

IV. Detailed provisions concerning compliance risk appetite

13. As set out in the legal regulations in effect and in the internal provisions and regulations, the executives, managers, employees of the OTP Bank Romania undertake general responsibility for the application of compliance requirements and rules. All employees of the organisation are under an obligation to enforce requirements for compliance, report any circumstances that pose a threat to enforcement, and participate in the elimination of such circumstances. Persons performing outsourced activities or engaged as experts or advisors, whether natural or legal persons, must meet compliance requirements and standards as well.

14. The compliance function is operated in order to create a lawful and ethical corporate culture that ensures the prudential and ethical operation of the Bank in the long term.

15. In the course of operating the compliance function, the Bank applies the following principles:

- Independence
- Integrity
- operation without interference
- objectivity
- preventive and proactive approach
- risk-based approach
- proportionality
- high level of professional care and competence
- full coverage
- efficiency, rationalisation of compliance costs

16. Processing and protection of personal data – GDPR

a. The Bank is committed to the adequate protection of the personal data processed by it, in accordance with the provisions of the General Data Protection Regulation and the applicable national laws and regulations.

b. As part of that, the Bank has established, operates and applies a system for regulation, implementation and auditing that provides for the adequate protection of personal data by meeting the criteria specified in applicable legislation and safeguarding its core business interests.

17. Conflict of interest, ethics

a. The Bank has a vested business interest and a statutory obligation in ensuring that the personal interests of its employees and of members of its management bodies are not in conflict with the business interests and commitments of the Bank and its customers, and that the Bank identifies, prevents and manages the conflicts of interest related to its various activities, and regulates and ensures the assessment of suppliers' compliance (supplier pre-screening). With a view to protecting its values and its customers, the Bank formulates requirements for ethical business operations.

b. The Bank draws up a Conflict of Interest Policy to specify the circumstances that are associated with its investment service activity, ancillary services and related financial services, and which lead or may lead to a conflict of interest potentially causing adverse consequences for the business partner. The Policy also defines the detailed procedural rules and measures that allow the prevention, identification and management of conflict of interest situations that are potentially prejudicial to the business partner.

18. Compliance with restrictions on information flows between financial and investment service activities

a. The Bank puts in place an internal organisational, operational and procedural mechanism to ensure that the data and information flows among the organisational units in charge of financial services, ancillary financial services and investment services comply with the applicable legal provisions and recommendations.

b. The organisational units of the Bank may only disclose confidential banking and securities information to one another as provided for in their own applicable internal regulations.

c. Additionally, the Bank ensures that any person may only access bank secrets and securities secrets on a need-to-know basis.

19. Prevention of market abuse (insider dealing, unfair price manipulation)

a. Within the meaning of applicable law and of its own regulation, the Bank prohibits insider dealing and attempted insider dealing in respect of the financial instruments of companies whose securities are issued in public offerings and in connection with which the insider person has obtained information. The transmission of such information is also prohibited. The Bank counters all forms of inside dealing, carrying out analyses and examinatons of such incidents, and taking action to prevent such incidents, or address incidents that have occurred.

b. The Bank counters all forms of conduct that involves a potential for market manipulation, or is inconsistent with generally accepted professional principles, or discloses unfounded, false or potentially deceptive information and gives signals of that character about the price of a specific financial instrument, or artificially keeps the price of an instrument at an abnormal level.

20. Fair treatment of customers, consumer protection

a. The Bank is committed to the enforcement of consumers' interests. In this context, it follows consumer protection principles that are consistent in their approach, and takes into account changes in consumer habits and interests.

b. The Bank continuously monitors and regularly assesses the adequacy and effectiveness of the measures and procedures relating to investment services as well as the measures aimed at addressing compliance deficiencies.

c. The Bank takes all of the measures required to ensure that orders are carried out in the best interest of customers, and that it exercises utmost care and prudence in managing customers' financial instruments and investments.

d. The Bank has undertaken a commitment to safeguard the interests of capital market participants, investors and customers, to maintain fair competition, and to prevent market abuse and conflicts of interest.

21. Corporate governance

a. In the spirit of responsible corporate governance, the Bank has guidelines in place ensuring that the operations of the Bank,comply with the internationally recognised rules and standards of responsible corporate governance, and that the public disclosure of information on its governance and operations makes it a transparent and verifiable company.

22. Compliance with international tax agreements and with the requirements of international sanctions

a. The Bank has a fundamental interest and a legal obligation in ensuring its full compliance with the customer identification and reporting requirements set out in international tax arrangements (FATCA for the US, CRS/DAC2/DAC6 for the OECD and the European Union), and in applicable local law.

23. Compliance with the requirements of international sanctions

a. As part of the establishment and maintenance of its relationships and when making its business decisions, the Bank takes into account the embargo-imposing, sanctioning and other restrictive measures of international organisations and various states, in particular, the applicable provisions of the United Nations Security Council and the European Union.

V. ESG risks appetite

24. OTP Bank Romania's mid term objective is to develop a comprehensive ESG risk management framework able to ensure alignment with the definitions and requirements of EBA and ECB, local integration the parent bank's strategy for green financing and ESG risk management and increased understanding and capability to quantify ESG risks in order to set limits (at the level of business line, economic sector or product) that adequately reflect the appetite for ESG risks.

25. In 2021, the Bank implemented a methodology for the assessment of ESG risks at initiation of exposures to corporate clients and over the life of the exposure. Economic activities whose nature and impact are incompatible with the values set at the level of the OTP Group in terms of providing responsible financial services and promoting sustainable development will be excluded from financing on the basis of a defined list.

26. In relation to our customers, OTP Bank Romania 's ESG Exclusion List is the central steering document that lists the activities that are not supported by the Bank. The bank's new customers should not engage in the activities listed in the ESG Exclusion List, which incorporates the following:

- Transactions with the purpose to violate legal regulations of the host country or international law, like: illegal arms trade, prohibited gambling, illegal trading in drugs, production or trade in products containing PCBs (Polychlorinated biphenyls are a group of highly toxic chemicals), production or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans, production or trade in ozone depleting substances subject to international phase out , trade in wildlife or wildlife products regulated under CITES , Transboundary movements of waste prohibited under international law;
- Production of or trade in controversial weapons (anti-personnel landmines, biological, chemical and nuclear weapons etc.);
- Trade in goods without required export or import licenses or other evidence of authorisation of transit from the relevant countries of export, import and, if applicable, transit;
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- Shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements;
- Mining, exploration and upgrading of shale gas in Europe;

- Mountain top removal – mining;
- The keeping of animals for the primary purpose of fur production or any activities involving fur production;
- The manufacture, placing on the market and use of asbestos fibres, and of articles and mixtures containing these fibres added intentionally;
- The export of mercury and mercury compounds, and the manufacture, export and import of a large range of mercury added products.

27. A distinction in engagement with controversial activities may apply for an existing client as opposed to a new client. For activities listed in the ESG Exclusion List, while new clients will be subject to zero credit tolerance, existing clients' term loans will be subject to natural amortisation, while their short-term loans may be renewed for a specific period upon the consideration of specific ESG, credit, and reputational risks. This distinction is based on the general notion that the Bank will have less leverage on a new client to agree on a strategy to exit from the activities listed in the ESG Exclusion List in the future.

28. In 2022, the foundations of the local ESG strategy will be laid in order to align with the parent bank's ESG strategy and meet the requirements and expectations of the supervisory authority. The process of integrating ESG risks in the Bank's core activities and risk management framework is a medium-term one, it will take place gradually and involves the allocation of significant various resources from the bank.

VI. Risk appetite metrics

29. In order to ensure the proper implementation of the risk appetite, the Bank has established the RAS dashboard, a set of metrics specific for the main risk categories which are monitored towards the triggers and limits set at the parent bank level (OTP Bank PLc).

30. The metrics cover credit risk, market risk, operational risk, liquidity and IRRBB risks, solvency and are reviewed periodically as well as in case of material changes to the Bank's business and risk strategies.

VII. Approval and Communication

31. The Risk Appetite Statement will be approved by the Supervisory Board together with the Risk Strategy of the Bank.

32. For disclosure, the Risk Aappetite Statement of the Supervisory Board of OTP Bank Romania S.A. will be published as an annex to the Transparency Report.

VIII. Monitoring and reporting

33. The monitoring of the risk profile in relation to the risk appetite and of the RAS dashboard is performed quarterly by the Risk Administration Directorate by calculating the specific indicators and aggregating the results according to the provisions of the Risk Strategy of OTP Bank Romania.

34. The results are reported to the Operative Risk Committee, the Risk Management Committee , and the Bank's Management Board and Supervisory Board..

35. Deviations from risk appetite are reported quarterly to the Bank's Supervisory Board by the Risk Administration Directorate.

IX. Revision

36. The risk appetite statement will be revised:

(a) annually;

(b) whenever the revision of the Risk Strategy so requires.

Antal György Kovács
Chairman of the Supervisory Board of
OTP Bank Romania S.A.